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EDITORIAL

As We See It

Nikita Khrushchev, arch schemer in the current Russian scene, has long been regarded primarily as a man of action, a policy maker, an executive and an administrator. According to current accounts, he has now become a leading, if not the leading theoretician of the communist world. In the rather strange jargon of the Marxian lexicon this seems to mean that he has set down in more or less definitive form, the course through which socialist Russia will proceed to the status of communist Russia. These matters had long remained rather vague and certainly quite unrealistic. All this has now been clarified and rendered explicit by the genius of Comrade Khrushchev—if one is willing to accept the adulation of a thoroughly subdued communist party.

To the skeptical western mind not brainwashed by Marxian tomfoolery or hypnotized by Lord Keynes or any of his followers or imitators, the most significant thing about Comrade Khrushchev's words is the fact that he reveals a somewhat belated realization of certain vital facts about the way the human animal behaves in the economic world—facts which were long part and parcel of our intellectual heritage but which we seem to be forgetting or overlooking precisely at the time that the Kremlin boss is calling on his comrades to recognize and utilize them to surpass and ultimately to overthrow us. It is a strange turn of affairs. It could be a turn of affairs that will bring us to very serious grief if not to destruction in the course of time.

Stripped to its essentials, the Khrushchev message, or vital sections of it, as well as the pitch and point of some of the remarks of Comrade

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Why Creeping Inflation Is Not Inevitable

By DR. MARCUS NADLER*

Professor of Finance, New York University

Both bonds and stocks belong in every trust portfolio, Dr. Nadler declares, since we can expect U. S. not to adopt creeping inflation as a way of life. The economist sees no danger of inflation in the immediate future but is apprehensive of long-run wage-price spiral revival unless, as he confidently expects, combatted by the Federal Government and monetary authorities. In rebutting the argument for creeping inflation and summarizing possible consequences of such a condition, Dr. Nadler warns that loss of confidence in the dollar would constitute our most serious defeat of U. S. in cold war. Concludes our refusal to acquiesce will reduce creeping inflation to a temporary phenomenon, and to do otherwise would make any kind of a bond, irrespective of quality and tax status, inane.

In recent years, the belief has become widely accepted that creeping inflation is unavoidable, that the purchasing power of the dollar is bound to decrease at an annual rate of between $1\frac{1}{2}\%$ and 3%, and that every farsighted individual should take measures to protect the real value of his income and savings. The effects of this belief are already evident in the security markets. Prices of equities have risen to new heights, bond prices have decreased considerably, and the return on high grade fixed-income obligations is higher than that on many stocks. Trust companies and pension funds are gradually increasing the proportion of equities in the estates handled by them, and many individual bondholders are shifting into equities. Mutual trust fund shares are finding a rapidly growing market among

Marcus Nadler

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*An address by Dr. Nadler before the 40th Mid-Winter Trust Conference sponsored by American Bankers Association's Trust Division, New York City, Feb. 9, 1959.

Investments for Pension And Profit-Sharing Trusts

By C. WADSWORTH FARNUM*

Vice-President, Bankers Trust Co., New York City

Predicting increased emphasis on common stocks at the expense of fixed income securities in pension funds, New York banker sets forth the near revolutionary changes in investment attitude and the inherent advantages a fund has in accumulating a large proportion of equities. Mr. Farnum views the need for definite-benefit type pension funds to adjust to cost-of-living changes and explains how aggressive, ingenious and inventive portfolio manager can utilize favorable investment climate to offset persistent long-run decline in dollar's purchasing power. He also discusses the problem of nonrefundable and noncallable provisions, declining importance of preferred stocks, alternative investments, and method of overcoming some of the problems found in profit-sharing funds.

There is no longer much of a mystery as to how corporate pension funds are invested. The Securities and Exchange Commission's surveys have been invaluable to those who are interested in this newest segment of our financial institutions. While I am sure that the figures are familiar, it is appropriate to introduce this discussion of investments in pension trusts with a review of the latest available figures. According to the survey as of the end of 1957, reserves in corporate pension funds totaled \$19.3 billion at book values (they are probably approximately \$22 billion now). The distribution, on the basis of book values, was 10.5% in U. S. Governments, down from 31.6% at the end of 1951; 53.8% in corporate bonds, up from 45.4% six years earlier; 3.2% in preferreds, little changed from the 1951 figure of 4.0%; 5.9% in miscellaneous investments (presumably principally mortgages and real estate), up from 3.0% in 1951; and 24.7% in common stocks, up from 11.8% in 1951. On the basis of 1957 year-end market values, the distribution was 71.8% in fixed-income investments and 28.2% in common stocks. If the SEC figures went

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*An address by Mr. Farnum before the 40th Mid-Winter Trust Conference sponsored by the American Bankers Association, New York City, Feb. 9, 1959.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Dunham-Bush, Inc. — Charles M. Peltason, Director of Research, Fusz-Schmelzle & Co., St. Louis, Mo. (Page 2)

Torrington Company—Everett W. Snyder, Partner, E. W. Snyder & Co., Syracuse, N. Y. (Page 2)

CHARLES M. PELTASON
Director of Research
Fusz-Schmelzle & Co., Inc.,
St. Louis, Mo.
Members of New York Stock Exchange and Midwest Stock Exchange
Associate Members of American Stock Exchange

Dunham-Bush, Inc.

During the course of our investigation and analysis of different companies, we occasionally find a company that is not too well known to the investing public, but whose history, potential and present position marks it as a company whose securities merit closer scrutiny. I believe that Dunham-Bush, Inc., common stock, is a security that should receive this attention. Dunham-Bush, as now constituted, is a result of a merger in 1956 of C. A. Dunham Company, manufacturer of heating products and accessories and Bush Manufacturing Co., manufacturer of air conditioning and refrigeration products. The acquisition by Dunham-Bush of Brunner Manufacturing Company in March, 1957, further complemented the business and products of Dunham-Bush. Brunner, one of the leading manufacturers of small air compressors and compressors for refrigeration and air conditioning, was a natural acquisition for Dunham-Bush. Brunner has developed a broad line of compressors for the refrigeration and air conditioning industries, ranging from ¼ to 100 tons capacity. The period of integration, digestion, co-ordination and other changes that are tantamount in a merger appears to have been taken in stride. Today, Dunham-Bush, Inc., currently doing over $32,000,000 in sales annually is reaping the benefits of its new look and position in the industry.

The company is well known in the trade as a quality manufacturer of various types of heating, cooling, and refrigeration systems. Some of the products manufactured by the company are steam and hot water heating equipment, low pressure steam heating appliances of various types, a complete line of extended surface radiation steam and hot water unit heaters, combination heating, ventilating and cooling cabinet units, condensation, vacuum and circulatory pumps, and a complete line of steam heating specialties, as well as hot water heating specialties. The foregoing lines of equipment are sold individually or as complete heating systems. The Dunham Vari-Flow hot water heating systems allow fully automatic control, balancing heating output with heat demand, eliminating thermostat. This new system widens the application of the company's products to include standard residences.

The company's "Bush" line includes air conditioning units, cooling towers, evaporative condensers, coils and comfort coolers for commercial, industrial and institutional applications, high and low temperature unit coolers, product coolers, plasticoolers and finned coils for cold storage rooms and large and small commercial refrigeration installations. New lines acquired in the Brunner acquisition include compressors and condensing units for commercial refrigeration and air conditioning.

Earnings and Sales

Earnings for the fiscal year ending Sept. 30, 1958 amounted to $407,000 (34 cents per common share) as compared to $909,699 (84 cents per common share) last year. Earnings just released for the period Oct. 1 to Dec. 31, 1958, the first quarter of the company's 1959 fiscal year, showed a loss for the quarter of $60,000 amounting to 5 cents per common share as compared to earnings of $249,000, 21 cents per common share, for the same quarter a year earlier. This was due entirely to reduced sales and profit margins because of loss of production during recent plant moves. Production has now improved at the consolidated plants and the benefits earningswise and saleswise from the operating efficiencies obtained through these moves should manifest themselves from here on in. The company's financial position as of Dec. 31, 1958 was good with current assets of $14.3 million and current liabilities of $6.3 million. There are 1,158,286 shares of common outstanding, 2,408 shares of 5% ($100) preferred and $6,641,000 of long-term debt.

Plant consolidation costs, including direct moving costs and loss of production during moving operations, together with the general business recession experienced last year adversely affected profit margins. In line with the lower earnings, the dividend was reduced from 60¢ per share to 40¢ per share. The plant consolidations previously referred to were major in scope and as a result of these moves all of the company's compressor manufacturing will be centralized in West Hartford, Conn., Michigan City, Ind., will be the main plant for the manufacture of heat transfer products for heating, refrigeration and air conditioning. The company will dispose of its plants at Utica and Gainesville. In addition, the London, England, plant moved to Portsmouth recently giving this facility additional space and more efficient plant layout. As a result of these changes, the company and its wholly-owned subsidiaries will operate five plants in the United States, two in Canada and one in England. The combined facilities will aggregate 767,000 sq. ft. of manufacturing, warehouse and operating space. The cost of the plant rearrangements was over $400,000 and was charged against profits for the year just ended. The savings budgeted as a result of the recent consolidations exceed $400,000 a year and the company is presently budgeting annual profits at approximately 70¢ per share as compared to 34¢ last year. I feel that this estimate is realistic and will indeed attest to the benefits derived from the previously mentioned consolidations. It must be recognized that if these earnings are achieved it will be in spite of a loss of 5¢ for the first quarter just reported. It is difficult to project earnings much further in the future, but a solid base on which to generate excellent earnings in the future has now been established and it is reasonable to expect that earnings will improve materially as time goes on.

This fine company with its enviable reputation, redesigned lines, and excellent competitive position appears to be embarking on the greatest period of growth in earnings and sales in the company's 50 odd years history. I think the stock at its recent price of about 9½ represents an outstanding value and placed in risk portfolios could work out favorably. The stock is actively traded in the Over-the-Counter Market and one of the directors of Dunham-Bush, Inc. is a principal in our firm.

EVERETT W. SNYDER
Partner, E. W. Snyder & Co.,
Syracuse, N. Y.
Member: National Security Traders Assn.

Torrington Company

At the outset, it may as well be said that what follows will be far removed from today's more dramatic topics of conversation. No mention will be made of the wonders of modern automation. Missing will be such words as addevators, datracs, transsistors, mechanical brains and petrochemicals. Rather, it will be about simpler things — needles, for example — anti-friction bearings, precision-made metal specialties, bicycles and parts for their assembly, and swaging machines. These comprise the products of the Torrington Company and obviously, their stock is my current selection as a favorite.

Everett W. Snyder

For the historically minded, the company provides ninety-three years of growth and expansion. It was in 1866 that the Excelsior Needle Company was established. The date coincides with the early days of the then infant sewing machine industry. Thirty-three years later the founders acquired a parent named "Torrington", who since then has carried on with unabated progress. Today the company maintains a position of world status in the manufacture and distribution of products of fundamental importance in industry, business and everyday living.

The Excelsior plant—in Torrington, Connecticut—now houses the executive offices of the company. Here also are manufactured needles for knitting, sewing, and for shoe and felting machines. Added to the company in 1933 was the Westfield plant of the Columbia bicycle. Established in 1877, Columbia—known as the maker of America's first bicycle—has for over three generations provided enjoyment for millions of youngsters and adults through this healthy mode of transportation.

Year after year new plants have been acquired to the extent that the Torrington name appears over factories in twelve locations in this country, Canada, England, Germany, and Italy. Four of these plants are in Torrington, Connecticut, and two in Westfield, Mass. Others are in operation at South Bend, Indiana — Orange, Mass. — Bedford, Quebec—Coventry, England—Aachen, Germany—and Genoa, Italy. Marketing their varied products are sales offices in thirty cities here and abroad, with warehouses strategically located with regard to consumption areas.

The question might properly arise as to how an organization of such magnitude could be built around the Torrington line of products. The answer becomes readily evident through a study of these products.

Take NEEDLES, for instance!

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Current Trends, Problems and Prospects in the American Economy

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Dr. Slichter recommends national policy of achieving our full growth potential to price stabilization. Concerned about the U.S.S.R.'s growing economic challenge, the widely known economist blames our slow growth rate to tight credit policies since 1956 and to failure of business to stimulate strong demand, and believes creeping price inflation is part of the price we must pay to maximize growth. He calls attention to greater increase in working hours and lower output gains in real dollars per manhour in this recovery compared to two preceding ones; believes, however, productivity may exceed 5% in 1959; expects Treasury's needs to force somewhat easier monetary policy and a higher interest rate ceiling on Federal securities; and contends Mr. Eisenhower's balanced budget is misleading.

I
Summary

Production continues to expand, and construction is at an all-time high. In January important parts of the economy began producing faster than the rate of consumption.


Sumner H. Slichter

The employment drop in January was less than seasonal. The principal reason for the limited response of employment to recovery has been the increase in the weekly hours of work which, in turn, is due to the caution of employers who preferred to increase hours rather than to enlarge their forces.

Retail sales in January were slightly below December after adjustment for seasonal, and were the second highest on record. Sales of durables were the largest on record.

New orders of manufacturers have been increasing, and in December were the largest since May, 1957. Unfilled orders are also growing and inventories, which are low relative to sales, have begun to rise.

Prices show no significant changes, wages continue to creep upward, and the moderately tight credit policy of the Federal Reserve is beginning to cause trouble for the Treasury.

The alleged balance in the 1960 budget is a phony balance and is achieved, in the main, by adding important proposed new expenditures to the 1959 budget instead of to the 1960 budget.

The new economic competition from Russia promises to benefit the United States by compelling the country to re-evaluate its economic policies and to pay more attention to economic growth and less attention to a stable price level.

II
Production

Steel production in the week beginning Feb. 2 reached 2,288,000 tons, the highest since mid-April, 1957. Still higher production at 2,363,000 tons was scheduled for the week beginning Feb. 9. During the last month there has been a sudden upsurge in orders for steel largely for the purpose of building inventories in anticipation of a possible steel strike. As a result, both production of steel and backlogs of unfilled orders are growing rapidly.

Automobile passenger car production in January was 545,547 cars in comparison with 593,770 in December, and 497,166 in January 1958. The gaining favor of smaller cars, especially in the cities, is shown by the fact that production of Ramblers was more than double the output of January 1958. In February production of most cars is being scheduled at slightly less per operating day than in January.

Construction is going on at a high rate, especially public construction and residential building. Construction put in place in January, after correction for seasonal factors, was the largest for any month on record and was 12.1% above January of last year.

III
Employment

The drop of 1,267,000 in civilian employment between December and January was less than the usual seasonal drop. It was much less than the drop of 2,148,000 between December and January a year ago. The increase in unemployment of 616,000 to 4,724,000 was considerably less than the increase of 1,120,000 between December and January a year ago. The seasonally adjusted figures of non-agricultural wage and salary employment showed a fairly substantial gain and were the highest since January 1958. The seasonally adjusted unemployment rate was 6.0% in comparison with 6.1% in December. When the February employment report becomes available, it will probably show unemployment somewhat less than

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*The following comments on economic conditions in the United States have been prepared for publication in Japanese by the "Nihon Keizai Shimbun" of Tokyo. If some of the material appears to be quite familiar to American readers, allowance should be made for the fact that Japanese readers may find some of the figures less commonplace.—S.H.S.

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Observations . . .

By A. WILFRED MAY

THE VIGILANTES REPORT AGAIN

On the cover page of a recent Sunday New York "Times" book section the editors deemed it appropriate to illustrate a review of Arthur Larson's new work on contemporary American life with a full length photograph of a company meeting—with this caption: "Time-out for lunch at a stockholders' meeting: It is dangerous to analyze American society in terms of class distinctions or rigid economic interests."

A Wilfred May

The thus-evidenced advance of the company meeting on the American scene has without question been furthered through the 20-year long activities of *the* "Corporate Crusader," or "Shareholder Vigilante," Lewis D. Gilbert. The public's impression of his activities has been geared to the colorful press accounts of the dramatic fracases which he so tirelessly instigates during the Springtime meeting season. Thus, the just-issued "Nineteenth Annual Report of Stockholder Activities at Corporation Meetings," a 284-page volume replete with photographs (and an index), breezily written with brother John, is interesting in spelling out the serious purposes of the assumed "crusade." This handbook of "corporate democracy" by the Gilberts cites the extension of their activities to the legislative areas, including the giving of testimony before Congressional and state bodies. They claim credit for the killing in the House of Representatives of the Financial Institutions Act, initiated and supported by important banking interests and American Bankers Association, which our stockholder champions opposed because it would have removed the mandatory cumulative voting provision for national banks.

Also evidencing their broadening and maturing, are citations of Lewis' ever-growing lecture engagements and articles in academic journals.

Basic Objectives

Attending over 125 gatherings of companies in which they hold stock in the amount of 10 to 200 shares, and at which they vote proxies for their correspondents, they gear their "meeting agitation" to the following objectives:

(1) To ask questions of management (perhaps the more embarrassing the more effective) and to encourage their fellow-shareholders (invariably, and correctly, referred to as "owners") to do the same—at least when no filibustering is emanating from themselves.

(2) To hold the meetings at convenient locations.

(3) To urge better reports, and particularly, more post-meeting reports detailing the discussion at the meeting.

(4) To eliminate the frequent practice of non-stock ownership by directors.

(5) To protect existing shareholders' pre-emptive rights.

(6) To scrutinize executive compensation, and in latter years, options and pensions—relatively easily dramatizeable features.

(7) Furtherance of cumulative voting to make possible the inclusion of "independent" directors.

(8) Uninhibited introduction from the floor of minority resolutions, "for the record" despite sure defeat by management proxies.

"Victories" of 1958

During the past year, the "Report" boasts, "landmark shareholder victories" were obtained, through their efforts emanating from their Park Avenue apartments, in the fields of cumulative voting, elimination of the stagger system of choosing boards of directors, executive incentive compensation, pensions, along to trustee voting of trust fund stock. Undoubtedly a major accomplishment of the Gilberts, although not so acknowledged, has been increasing concentration of management on the *manners* of conducting the meeting—this, to our way of thinking and not fully realized by the Gilbert brothers—deflecting attention from more meaty matters. Fifty-five companies with the names of the respective chairmen, are specifically cited for "well-conducted" meetings.

Our protagonists wage constant warfare on the stagger system of electing boards via yearly "installments," on the ground that it nullifies any shareholder benefits from cumulative voting. Last year the State of West Virginia outlawed the stagger system (in the Wolfson v. Avery case) while Arizona ruled in its favor.

Prodding the Funds

The current "Report" interestingly gives extra and important attention to the role of the fiduciaries, that is, the mutual funds and insurance companies—with stress on their duty to vote their large corporate holdings independently at all annual meetings. The Gilbert's "beef" is that the fiduciaries customarily "stooge" in indiscriminately voting for management's and against independent proposals. They point out that in the case of controversy funds often offer the consultation-with-management technique as a substitute for voting; which, we agree, is helpful but not an adequate fulfillment of their obligation to their own stockholders.

Geographic Expansion

The expansion of Gilbert coverage is to be further noted in this latest report, in encompassing activities from Canada to Hawaii. The correction of certain alleged abuses regarding securities listed on the Honolulu Stock Exchange is noted, through the agitation of the Chicago financier, Charles E. King. Likewise space is devoted to Canadian routine; with a special kudo given to Abitibi Power & Paper Company for its pre- and post-meeting reports.

These are some of the evidences of the great expansion of the scope and importance of our meeting-marathoners from their erstwhile beginnings when they were dependent on an angry retort, and even a literal left hook, from an irate corporate presiding officer, to fetch a stray item of newspaper publicity. While the stockholder is still inclined to adjust his attitude toward a controversial issue in accordance with the financial fortunes of the company, and while some of the Gilberts' techniques no doubt merit criticism, they and their "Report" render constructive service in increasingly awakening the lay shareholder of his true status in *his* company.

How Stock Market Works to Be on TV

The Bernard M. Baruch School of Business and Public Administration of the College of the City of New York announces a one hour educational TV spectacular on "How the Stock Market Works" to be given Monday, March 2 from 3 to 4 p.m. on Channel 11 with Dr. Jerome B. Cohen, Professor of Economics at the Baruch School, and Dr. Allen O. Felix, Director of Education of the New York Stock Exchange, and Luttrell Maclin, Paine, Webber, Jackson & Curtis.

Hayden, Stone & Co. To Admit Partners

On March 1st Abijah U. Fox and John V. Mulligan will become general partners and I. P. Fox a limited partner in Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

Two With Witherspoon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas J. Edwards and Weldon O. Harrison are now affiliated with Witherspoon & Company, Inc., 215 West Seventh Street. Mr. Edwards was formerly with McCormick & Co.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

In its latest monthly summary of business conditions, the National Association of Credit Management states that "business will be good in 1959, corporate profits better than in 1958, competition keener, interest rates tighter. Labor unions will be more demanding, resulting in a general rise in wages, forcing prices upward, with another round of inflation of the creeping variety, held in moderate check only through the credit restraint exercised by the Federal Reserve authorities. All this may easily keep unemployment at high level."

Continuing, the survey notes: "The momentum of our very satisfactory and sharp recovery from last year's recession has lost some of its extra force. Military, defense and foreign aid expenditures have likely attained their peak. Mortgage and down-payment restrictions are tightening. The stock market prices will continue to rise, but will be more selective and much less exuberant. These factors will slow down the inflation forces, but will not stop them.

"We must realize that 'throughout the world our economic way of life is beginning to be doubted,' said Maurice Stans, Director of the Budget.

"If we are to have the type of government policy that will protect and strengthen our nation, it must be demanded and supported by the American people. We must stop our insistent political demand for special privileges and social benefits not paid for by direct tax collections.

"Our leaders in politics, as well as in business, labor and agriculture, must have the wisdom, courage and patriotism to acknowledge, and make known to the people of the nation, the factual truth of the dangers of our economic situation and the ways and means that must be accepted to bring about the balancing of our national budget. They must evolve an equitable and realistic taxation system, which will provide adequate revenue for efficient government operation and national security, and at the same time not prevent or restrict capital formation, investment, individual initiative. Such a new taxation formula must at the same time prevent any organized group from gaining monopolistic control or power which might force wage costs or prices above reasonable or economic levels."

Nationwide Bank Clearings Up 5.30%

Bank clearings in the week ended Feb. 14 show an increase compared to the corresponding week a year ago. Preliminary figures compiled by the "Chronicle," based upon telegraphic advices from the chief cities of the country, indicate that clearings from all cities of the United States from which it is possible to obtain weekly clearings will be 5.3% above those for the same week last year. Our preliminary totals stand at $19,886,070,824 against $18,891,224,712 for the same week in 1958.

Clearings for New York City in the Feb. 14 week were $10,103,476,118, or 4.2% above the $9,692,745,354 in the comparable week of 1958; for Chicago, $1,032,478,866 against $1,042,949,486, a 1% drop; for Philadelphia, $885,000,000 vs. $900,000,000, a decline of 1.7%.

Federal Grants for Sewage Works Ending

Since the Federal grants program was authorized to stimulate needed sewage treatment construction, sewage works projects across the nation have nearly doubled, reports "Engineering News-Record," the McGraw-Hill publication. Now, the Administration wants to end the grants program.

President Eisenhower has asked Congress to reduce appropriations for the grants program from $50 million to $20 million for fiscal 1960 and to discontinue all such aid in 1961.

Under the President's proposal, the states would assume full responsibility for construction of sewage treatment plants in fiscal 1961. The states, however, want the appropriation figure raised by $100 million a year.

In the five-year period preceding 1956 when the law went into effect, sewage works construction averaged $222 million annually. In 1957, as the program began to take hold, construction awards jumped to $351 million. In 1958 awards reached an estimated $400 million—the highest figure ever.

If Congress goes along with the President's recommendations, the effect of the reduced appropriations will not be immediately apparent, the magazine says. The lag between the appropriations and contract awards will put off the decline until 1961.

Some officials feel that with the end of the Federal grants, the rate of sewage construction will fall lower than it would be if

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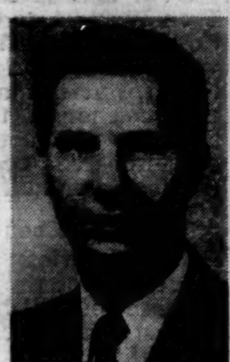
Diversification in The Aircraft Industry

By DR. MURRAY L. WEIDENBAUM
Product Economist, Boeing Airplane Company

Mr. Weidenbaum, expressing his personal philosophy on diversification, asserts subject is particularly important now when military procurement programs are increasingly geared toward missiles. Reviews pitfalls as well as potential gains from diversification into non-aircraft fields, and offers guideposts for reveiwing new products. Specifically warns against competing with established or declining products; and cautions avoidance of items requiring large additions to existing facilities.

Ever since it attained the production peaks of World War II, the airframe manufacturing industry has been concerned with the problem of diversifying into new markets and new types of production in order to maintain and expand the overall scope of its operations.



M. L. Weidenbaum

This subject is of particular revelance at the present time when the current and prospective military procurement programs are increasingly geared toward missiles and away from manned aircraft.

Survey of Postwar Developments

The efforts of the aircraft manufacturing companies in penetrating the civilian markets after World War II took a tremendous number of forms and developments and met with varying degrees of success and permanency.

Some of these efforts were frankly designed to take immediate advantage of a temporary demand for consumer items which had been missing from the economy during World War II. Other efforts were designed to utilize the substantial cash reserves accumulated during the war and to help tide the companies over during the reconversion period.

Many aircraft companies attempted to use their "know how" and to concentrate on lines where their capabilities would be particularly needed, such as producing aluminum canoes and sport boats, items which required their skills in fabricating aluminum products. Some of the "related" products were a bit far afield from their customary product lines, including artificial hands and other prosthetic devices and stainless steel caskets.

A number of aircraft companies became subcontractors for established firms in civilian markets, building heater cases, parts for musical instruments, automobile parts, plumbing, and cabinets for radios.

In some instances, aircraft firms joined with other companies to form new subsidiaries. More usually, aircraft companies—using their war-accumulated earnings and relying on tax provisions permitting the carryback of losses to offset against previously paid taxes—acquired going concerns in other industries.

Typical acquisitions included a producer of motion picture equipment, a manufacturer of precision parts in the automobile field, a designer of prefabricated houses, and a maker of motor buses, trolley coaches, and marine and industrial engines.

A number of channels of distribution were used by the aircraft companies in marketing the products on which they were prime producers. Subcontracting work obviously did not present such problems. Some produced for exclusive distribution by wholesalers and jobbers. Some adopted the attitude, "we make 'em—you sell 'em." The early postwar period was an era of shortages and hardly typical of the current situation or the experience to be expected in the future.

Although there has been a very significant "shaking down" of these civilian consumer-type activities since the initial postwar expansion, aircraft companies are still attempting to enter or expand commercial nonaviation markets.

Diversification efforts of aircraft companies during the last three years have included such diverse operations as (1) the formation of a wholly-owned subsidiary to specialize in the field of automatic controls; (2) the establishment of a division to manufacture hydraulic systems for farm machinery; (3) the acquisition of a firm making earth-moving equipment; (4) the construction of wall panels for commercial buildings, and (5) the marketing of a multi-purpose heavy-duty land vehicle.

It is difficult to ascertain the success of these various efforts. Some of these products and divisions are still very much alive. News of many nonaviation activities of aircraft manufacturing firms has not appeared in recent years. To some extent, this may reflect their complete integration into the parent firm and the reluctance of companies to release data concerning their individual operating units. Undoubtedly, many of these activities were abandoned as unsuccessful or marginal, aside from the ones which were obviously temporary.

Analysis of Civilian Experience

On the basis of the experience during the period since the end of World War II, it would appear that the attempts by aircraft manufacturers to diversify went through four different phases: (1) the immediate postwar burst of enthusiasm; (2) a settling down period; (3) a downgrading during the Korean military expansion, and (4) a renewed interest resulting from the cold war cutbacks in military procurement.

The immediate postwar burst of enthusiasm. Faced with very substantial cancellations of military orders at the end of World War II, most of the firms embarked on nonaircraft activities. Their specific ventures, though numerous, could be grouped into the following general categories:

(a) The temporary utilization of idle capacity and manpower, to maintain a going organization and to tide it over until peacetime aircraft production would get underway.

(b) The manufacture of items which it was hoped would win a permanent market, thus diversifying the company's operations and lessening its dependence on military orders.

(c) The purchase of or investment in firms which would either broaden its base of operations or merely earn a good profit.

Under (a) and (b), the production and marketing arrangements varied. In some cases, the aircraft companies produced end products and in other cases they served as subcontractors or suppliers for companies already firmly entrenched in the civilian field. Also, a number of marketing alternatives were available and used—direct sales, licensed distributors, or general jobbing and wholesaling channels.

A settling down period. Gradually the shock of postwar adjustment wore off. Military orders continued, although at a rate sharply reduced from wartime levels. Civilian aircraft were being produced. The numbers involved were far smaller than envisioned in the early postwar forecasts.

Also, the firms which traditionally dominated civilian markets, and had temporarily converted to military production during the war, had once again asserted their supremacy in many civilian areas. Traditional suppliers soon caught up with consumer demand. The aircraft manufacturing companies terminated their leases on a number of government-owned plants and abandoned a number of temporary post-war ventures.

A downgrading during the Korean military expansion. With the tremendous expansion of military orders for aircraft beginning the latter half of 1950, the attention of the aircraft industry was increasingly focused on military production. Nonaircraft activities were soft-pedaled during the Korean mobilization period. This was not hard to understand. Priorities were readily available for military orders but were more difficult to obtain for civilian production. More basic, however, was the overriding desire of the aircraft companies to build aircraft rather than canoes or wheelbarrows.

A renewed interest resulting from the cold war cutbacks in military procurement. Following the termination of the Korean conflict, there were a number of cutbacks in military procurement, the latest coming in 1957. For reasons of necessity or of desirability, aircraft firms began once again giving increased attention to nonmilitary and, to some extent, nonaircraft activities.

However, the commercial (i.e., nongovernment sales) activities of most of the aircraft manufacturing companies have remained at relatively low levels. The majority of the large firms had commercial sales of 1% or less during 1952-1955, the most recent years for which industry-wide data are available. The three major producers of commercial transports during that period had commercial sales of between 8 and 14% of their total volume.

Available information does not permit making a split of commercial sales between aircraft and nonaircraft products. As the firms with significant commercial sales were the same companies which were leaders in commercial aircraft production, it can be seen that the **commercial nonaircraft** sales of aircraft manufacturing firms have been extremely limited in recent years.

Analysis of Factors Involved

On the basis of experience to date, it appears that the entrance by an aircraft manufacturing firm into nonaviation areas is not a simple matter. Many problems are involved which do not exist for military production and sales or which may require different solutions.

Each of the following factors can be crucial in influencing the success of a commercial venture of an airframe manufacturer: the state of the economy, the market for the product, the productive capability required, the type of distribution needed, the financial requirements, and changes in organizational structure.

The state of the economy. In the period immediately following the end of World War II, there was a tremendous unsatisfied business and consumer demand for the goods which had been in short supply or unavailable during the war years. Almost any standard item which an aircraft company could manufacture quickly could have been marketed during the years 1945-1946.

The competitive situation is quite different today. A period of hard competition has resulted in margers, discontinuance of various civil product lines, and other forms of retrenchment in order to survive in the commercial market. Moreover, the outlook is for increased competition and, hence, increased selectivity in the choice of products to be introduced and markets to be penetrated.

The market for the product. Performing market research for commercial items is quite different in many respects from gauging the market for military aircraft. It is not a matter of estimating the strength of potential aggressors or the requirements of our own military force objectives. Rather, it is a matter of forecasting the level of a fairly specific business and/or consumer demand, depending on the nature of the product.

In the case of an established civilian product, the demand level may be fairly predictable. The consumption of paper, for example, follows very closely fluctuations in the Nation's individual incomes. The manufacturer of such products as tobacco, cotton, and textile bags has followed straight line trends for the past 15 years. In contrast, sales of new products have usually been more erratic. The production of television sets and antibiotics rose spectacularly during the years immediately following the end of World War II. However, the production trends leveled off as the markets became relatively "saturated" and sales have been rather sluggish in more recent years.

Particularly when surveying the potential market for a new product, cosideration must be given to existing products with which the new item must compete current and foreseeable shifts in the structure of business and consumer demands, and plans of potentially competitive firms.

For example, in 1956 a number of types of structural steel were in short supply. However, it would have been extremely risky, on the basis of the current strong demand levels alone, for a nonsteel manufacturing company to have begun the construction of a steel mill in order to take advantage

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Successful Trust Operation And Protecting Dollar's Value

By LEE P. MILLER*
President, American Bankers Association, and President, Citizens Fidelity Bank and Trust Company Louisville, Ky.

In his paper on why we should be concerned about what happens to our dollar and the essentiality of a trust department to a bank, Mr. Miller calls attention to the symbolism of trust business to our economic system and to the "harder battles of economic warfare" with the U. S. S. R. that lie ahead. The ABA head strongly defends the trust department's contribution to, and distinguishes its functions from, banking; explains what should be done for successful trust operation, and voices optimism about trust's bright future and opportunities.

A trust department can and should be profitable. Trust profits are important to the bank's stockholders, directors, employees, and customers. To the stockholders, profits mean a fair return upon their investment. To the directors, profits are proof of their ability to provide successful management. To employees, profits are a gauge of their contribution in rendering trust services and greatly affect their morale, pride in the institution, advancement in opportunity, and compensation. To trust customers, profits have a meaning in terms of quality of service.

Lee P. Miller

Bank management may be justified in subsidizing a trust department initially, but the trust department must be expected to stand on its own in a reasonable time. Continued subsidization will inevitably weaken the department and cause it to be subordinate to the banking department. This, in turn, makes for inequality of recognition, advancement, and compensation between bank and trust personnel. The incentive and morale of trust personnel are destroyed; and inferior trust services, dissatisfied trust customers, and further decrease in profits may be the results.

The profitability of the trust department is largely determined by five major factors: (1) the need for trust services in the community; (2) the attitude of management toward the department; (3) the quality of the service rendered; (4) the cost of rendering the service; and (5) the charges for rendering the service.

A need for trust services exists in every community and will continue to increase as our country grows in population, economic development, and wealth. The extent to which individuals or trust institutions will be called on to meet this increasing need will depend upon the quality of service offered. It is squarely up to management, therefore, to see that the trust department offers service superior to that offered by individuals. Naturally I am prejudiced. I believe the average corporate trustee is better qualified, by reason of diverse knowledge and experience of trained personnel, to provide a superior service.

However, the attitude of management is extremely important in building a strong, efficient, and profitable trust department. First, management must recognize that differences in the nature of banking and trust functions affect the relative profitability of the two departments; and second, management must recognize the value of the trust department as part of a complete financial service for the institution's customers.

Trust vs. Banking Functions

There are three fundamental differences between the banking function and the trust function. First, most bank profits result from interest earned by lending the capital funds and deposits of the bank to individuals, businesses, and governments while trust profits result from fees earned by performing a personal service for these same customers by managing their property.

A trust department, with only services to sell at a price restricted by law, can hardly be expected to produce profits equal to those produced by the banking department in much more flexible lending and investing operations. This should, however, in no way be taken to excuse the trust department from operating profitably.

Second, the acquisition, opening, servicing, and closing of deposit and loan accounts are less time-consuming and, therefore, less costly than the complex actions and procedures required in the acquisition, opening, servicing and closing of trust accounts. All of you are familiar with the time, that is of necessity consumed in conferences with the customer, life underwriters, accountants, and attorneys in securing trust business and in dealing with such highly technical matters as investments, taxes, accounting, and laws governing the administration of trust accounts. The trust business often requires great expenditures of time that could have not possibly been anticipated but that nevertheless consumes trust profits.

This leads to the third difference—namely, that the liability or business risk assumed by the banking department can be more readily appraised than can the liability or business risk assumed by the trust department. The banking department can set up dollar reserves against its liability or risk; but the trust department's only means of protecting itself against liability is to build evidence of its faithful performance through a vast amount of time-consuming and costly memoranda, records, accountings, documents, correspondence, and the like, which must be maintained indefinitely in its files.

Assuming that management recognizes these different elements in banking and trust functions as reasons why the trust department may never be as profitable as the banking department, let us consider the value that the trust department can contribute in providing complete financial service to the bank's customers. In my opinion, the more important contributions that the trust department makes to the overall operation of the institution may be enumerated as follows:

Trust Department's Contribution

(1) The trust department is often one of the banking department's largest and most valuable depositors, thus furnishing funds to the banking department on which it can earn interest and thus increase its own earnings.

(2) In providing property management, the trust department attracts customers who find services of the banking department also useful.

(3) The trust department, as a component of complete financial service, assists the banking department in retaining its customers.

(4) If properly organized and managed so as to render a high quality of trust services, the trust department may generate surveys that are more stable over periods of good and bad times than are bank earnings.

Granted, then, that management can and should be fully aware of the value of the trust department to the banking department, I believe that it is of utmost importance for the success of the trust department that management recognize these points:

(1) That trust services properly rendered are valuable and worthwhile services in themselves because they contribute to the financial security of those for whom they are rendered and are an essential function of our system of private property.

(2) That the need for trust services will increase as the financial wealth and population of the country increase.

(3) That the corporate trust business, like any other business enterprise, should be considered as one that can and should be made profitable; subsidization is not to be condoned; trust companies operating independently of banking institutions have proved profitable and trust departments operating in conjunction with banking departments also can be profitable.

(4) That the banking and trust departments must be considered as equal members of a team working together to provide complete financial services to the public with neither subordinate to the other.

(5) That the trust department be required to make such charges for its services that will meet fair competition and, at the same time, will be adequate to cover the cost of rendering a high quality of service and to produce a reasonable profit.

Successful Trust Operation

It is my firm belief that if management expects the trust department to operate successfully, the following things must be done:

(1) The trust department should have an annual cost analysis to determine whether its costs of operation are too high or its charges are too low.

(2) It should employ energetic and capable personnel at all levels and at salaries comparable to those paid by business and industry.

(3) Trust personnel should be provided with well defined authority and duties; good training and supervision; satisfactory working conditions, adequate supplies and efficient equipment; and a smoothly functioning organization that will efficiently, effectively, and economically discharge its duties and responsibilities.

(4) Quality performance of personnel should be expected and rewarded with advancement and increased compensation.

(5) Legislative enactments providing for adequate fees for fiduciaries should be sought if existing statutory fees for fiduciaries are inadequate.

(6) The department should decline new trust business for compensation that is inadequate on the basis of current costs of rendering the trust service.

(7) It should decline to contract on the current basis of compensation for trust services to be rendered in the future, when such compensation is likely later to prove inadequate.

(8) It should seek to renegotiate the compensation on trust business currently being serviced if the compensation is inadequate on the basis of current costs.

Hanging in the offices of the trust department of the Detroit Bank and Trust Company is an excellent statement by the late Mr. Ralph Stone of the basic principles of trust service. It was reprinted in "The Trust Bulletin" for October, 1956, and reads as follows:

"The success of a trust company and its position in the community is built upon the confidence of the public in it. That confidence can be won only by the strictest observance of the rules of right conduct, by absolute adherence to the highest ideals in the conduct, of the trust relation with its clients, by the directors, officers, and employees. These must be men and women of mature experience, of first-class ability, and, above all, unquestioned integrity. The company's best asset is not measured by the figure showing in its balance sheet. A reputation for honesty, fair-dealing, skill in managing the property placed in its charge, and faithfulness to the interests entrusted to it, is its most valuable possession. To first establish and then maintain such a reputation should be the aim and constant efforts of a trust company."

Optimistic About Trust's Future

I am an eternal optimist regarding the bright future of the trust business and the opportunities it holds. More and more trustmen, as partners of those in banking departments, are making a real contribution to their communities in conserving the wealth that is symbolic of our great American way of life. As one great trustman, Mr. Gilbert Stephenson, has so ably expressed our confidence in the future:

"The sun that shines upon the trust field is a rising and not a setting sun. The trustman's problems are the problems of the morning, not the evening. They are the problems of preparing for the work of a day that still is young, not clearing away the debris of the work of a day that already is far spent. The trust institution has an assured place in the social and economic order of this nation. Great as its past may have been, its future bids fair to be greater still."

Yet, if we are to make this vision of the future a reality, we must take a hard look at the world around us. May I, therefore, touch briefly on a subject that is very much in the minds of most Americans and which deserves sober thinking on the part of men engaged in the trust business. It is the stability of the value of the dollar, or—stated another way—the problem of persistent inflationary pressures in the economy.

How many of us today have stopped to consider that the trust business is an important symbol of the American economic system? The trust function could not exist without the fundamental right of private property—the essence of capitalism and the profit system. It is a matter of great significance to trust people, therefore, that this system is today being subjected to its most severe test. Crisis after crisis on political and military fronts for more than a decade have brought the Free World into conflict with the Soviet orbit. The peace of the world has been under constant threat, but if man has been fortunate enough to escape global military destruction, the spectre of intensive economic warfare looms larger and larger.

Looming Economic Warfare

The American people may be conscious of the importance of a defense establishment to guard against the forces of Communist aggression, but I believe that there is too little understanding that harder battles of economic warfare lie ahead. Capitalism—with its reliance on human dignity; individual initiative; and the right to acquire, hold, and bequeath property—will face a worldwide economic conflict against Communism—with its reliance upon cold bureaucratic direction of human energies and minds. The system that survives will be the one that contributes the most to the people—in spiritual, as well as material, terms.

That is why I regard the stability of the dollar and the battle against inflation so important. The stakes of our very survival are being wagered upon the ability of our economy to expand and to become stronger. World history time and time again has repeated the lesson that weak currency or monetary inflation saps a nation's economic strength and retards its growth. The Russians know this, and they are poised to take advantage of every opportunity to extend their own range of power wherever inflation weakens a nation's economic vitality and moral fibers.

All of us, then, should be concerned about what happens to our dollar. I want to make it clear, however, that the current state of inflationary psychology should not give rise to fear or alarm because I believe we can and shall do something about it. If the American people understand the facts and recognize the stakes involved, I am confident they will take the right course. There is an increasing appreciation—both in governmental and private sectors—of the need for making the facts known, and I hope that the banking fraternity will continue to do its part in girding the loins of the American economy for the battle of economic warfare that looms ahead.

*An address by Mr. Miller before the 40th Mid-Winter Trust Conference sponsored by the A. B. A. Trust Division, New York City, Feb. 10, 1959.

Two with Murray Hill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Morgon L. Garvin and Edward I. Shelley are with Murray Hill Investment Co., 1435 South La Cienega.

Inv. Service Adds Two

DENVER, Colo. — K. M. Campbell and Robert L. Wiley are now associated with Investment Service Co., 916 Broadway.

Realty & Theatre Ventures

Realty & Theatre Ventures, Inc. has been formed with offices at 50 Broad Street, New York City to engage in a securities business.

Armstrong Cork Company

By DR. IRA U. COBLEIGH
Enterprise Economist

A salute to this distinguished corporate name, 65 years old; some comment on Company progress in 1958 which carried net sales to an all-time high; and a favorable projection for 1959.

Some companies producing pharmaceuticals, electronics or cosmetics, explode on the financial scene with sudden rises to sizable earning power. Other companies are more like Ole Man River — they just keep rolling along. Such a one is Armstrong Cork Company, incorporated in Illinois in 1900. Faithful performer for three generations of stockholders; and now entering upon a new and higher plateau of net sales and profitability.

Ira U. Cobleigh

Essentially this well known and well advertised company is a building products' company with about three-fifths of its sales derived from resilient floorings, interior wall finishes, insulating and acoustical materials. Armstrong is best known for hard-surface floor coverings and its line of these product is the foremost in the business including fiber coverings, flooring tiles of cork, rubber, asphalt and plastics. The wall surfacings are of plastic, and include vinyl wall tiles. Various types of insulation and sheathing are produced, and the company has become an outstanding specialist in the sound conditioning of rooms.

In 1956 Armstrong opened a new Acoustical Research Building wherein three new types of acoustical materials have been developed (of mineral wool and wood fiber) in addition to six types developed earlier. In these days of Hi-Fi and stereophonic sound far more attention is being given to "sound conditioning"; and Armstrong plans to make its acoustical ceilings (especially desirable in public and commercial buildings, hospitals and schools) as well known and as widely accepted as its floor coverings.

The industrial line at Armstrong, which accounts for about one-fifth of sales, is comprised of cork coverings and compositions, fire bricks, gaskets and belts, pipe coverings, textile machinery, adhesives, cements and coatings. Armstrong was recently licensed to market an amazing new chemical adhesive perfected by Eastman Kodak Co. (sole producer). This is such a powerful bonding agent that a single drop is powerful enough to hold two materials together against a pull of hundreds of pounds.

Armstrong packaging products, which make up the final one-fifth of company sales, include a wide variety of glass bottles and jars, closures and seals. These items are used in the packaging of food, medicinal, household and industrial products, cosmetics and beverages (alcoholic and otherwise). Armstrong is progressive in this field, constantly at work in the development of lighter, stronger, and better designed glass containers.

In regard to building products, Armstrong depends of course, heavily on new construction. Here the projection for 1959 is favorable, as the Department of Commerce estimates the value of all new construction for this year at 7% greater than for 1958; and some 1,200,000 housing starts are anticipated. Armstrong products, especially floor tiles, are also widely used in home repair and modernization as well as in new construction.

For many companies 1958 was a dreary year. Not so, however, for Armstrong Cork. After a slow start this well managed company pushed its sales total $450,000 above its record year, 1955, to a new high of $249,859,203; and converted this splendid total into a per share net of $2.60, half a dollar above 1957. All of which makes good reading for shareholders, and provides plenty of cushion for the present dividend rate of $1.20 regular plus 20 cents extra. Armstrong has paid uninterrupted dividends since 1934 with present policy being to distribute about 60% of net to stockholders. There have been eleven dividend increases in the past 20 years; and there were three years in which dividends were reduced.

Armstrong headquarters and research center are at Lancaster, Pa. and there are 15 other domestic plants; and sales offices in 45 cities. In addition there are foreign subsidiaries in Canada, England, Spain and Portugal which, in 1958, produced combined sales of $23,325,000 and a net income of $891,000, (representing more than a 40% gain over 1957).

Financial position of ACK has been consistently strong through the years. It was excellent at the 1958 year-end, with current assets of $71.8 million against current liabilities of but $21.5 million. ACK has no long term debt, its only senior security being an issue of 161,522 shares of $3.75 preferred now selling at 84½ to yield 4.3%.

This sturdy financial position has been maintained even though sizeable capital expenditures have been made. For instance, in the five year period 1953-57, $63,400,000 was spent on additions and improvement to plant, all of the funds being supplied out of retained earnings. These capital improvements have not only enlarged capacity and research facilities, but have included cost-cutting systems such as electronically controlled inspection and packing devices introduced at the glass plant in Millville, N. J. The President, Mr. C. J. Backstrand, in commenting on the 1958 results in the annual report, referred to cost reductions and the introduction of new products as major factors in the fine earnings' showing. Products diversification is important too, and Armstrong has offset the somewhat cyclical nature of its floor and wall covering demand by a diversified product-mix including over 350 individual items. While "cork" dominates the corporate title it has, through the years, become decreasingly important as a raw material being steadily supplanted by a variety of plastics.

The particular reasons for citing Armstrong Cork for consideration now, would include (1) the excellent company performance in 1958, a year in which many companies reported sizeable reductions in sales and earnings and (2) the excellent prospects for 1959, suggesting a $40 to $50 million rise in net sales and net earnings per share higher than in any earlier year—probably somewhere between $2.80 and $3. These bright prospects and optimistic projections are based on the modern and expanded plant facilities, a cost conscious management, and a genuine talent for effective advertising and aggressive selling.

Marketwise the common stock of ACK (5,016,302 shares outstanding, listed on NYSE) has been characterized by considerable stability, with its price ranging during the past five years between a low of 19 in 1954 to a recent high of 39¼. There was a 3-for-1 split in April of 1955. There is no apparent need for public financing for some time to come.

Market analysts have been viewing ACK with some favor recently because of the rising net earnings' curve and the fact that at today's price of 37 the stock is selling at only 14 times 1958 earnings. Many other industrial issues have reached prices representing a far more exalted price/earnings ratio.

Investors may be attracted to ACK by its stability — net sales have been above $200 million in each year since 1950—and by a dividend policy geared nicely to earnings. The basic dividend rate is now $1.20 per share, having been supplemented usually by year-end cash extras. If 1959 earnings advance to around $3 a share, then a total dividend distribution of from $1.60 to $1.75 a share is a possibility. The prospect of a dividend increase is always a pleasant one.

No one should expect ACK to be a sensational performer in the market. But for those whose search is for quality equities in sturdy well managed companies with ascending earning power, a look at Armstrong Cork today may prove rewarding. Cork has always carried a connotation of buoyancy.

Nikko Securities Opens in New York

Nikko Securities Co., Ltd., with its head offices in Tokyo, Japan, announced the opening of a New York branch at 25 Broad Street. Naomichi Toyama is the company's chief representative in New York.

A subsidiary organization, Nikko Kasai Co., has its headquarters in San Francisco, Calif.

Abroms & Co. Formed In New Orleans

NEW ORLEANS, La. — Abroms & Company has been formed with offices in the Richards Building to engage in a securities business. William Abroms is a principal. He was formerly manager of the municipal department of Kohlmeyer & Co.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter No. 45—Commenting on effects of AEC grants to colleges and universities, on radiation instrument industry, and discusses **Salem Brosius, Inc.**—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Bank Stocks — Analysis — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Banks & Trust Companies of the U. S.—Comparative figures as of Dec. 31, 1958 — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Breakdown of Government Bond Portfolios of 13 New York City Banks—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Burnham View — Monthly Investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter**.

Canadian Prospects for 1959—Analysis—Burns Bros. & Company, Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Chemical Industry — Study—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Japan — Economic survey — Chemical Corn Exchange Bank, International Division, 165 Broadway, New York 15, N. Y.

Japanese Oil Industry—Discussion with particular reference to **Mitsubishi Oil Co.**, **Showa Oil Co.** and **Maruzen Oil Co.** Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Japanese Stocks—Current Information—Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Life Insurance Stocks—Review—Merrill Lynch, Pierce, Fenner & Smith, 70 Pine Street, New York 5, N. Y. Also available is a survey of **Fire and Casualty Insurance Stocks**.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Proxy Rules of the Securities & Exchange Commission and of the **New York Stock Exchange**, including Rules X-14A-9, X-14A-11, and Schedule 14B — Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Shale Oil Prospects in U. S. — Review in current issue of "Science and Securities"—Harris Upham & Co., 120 Broadway, New York 5, N. Y. Also in the same issue are articles on **Nucleonics**, **Space Technology**, **Chemical**, **Electronics** and **Drug Industries**.

Value Outside the Favored Fifty—Data on 13 selected issues—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

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Air Express International Corp.—Brochure—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

A. S. R. Products — Data — du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Eagle Picher**, **Simonds Saw & Steel** and **Union Carbide**.

Aeronca Manufacturing Corp.—Memorandum—J. A. Hogle & Co. 40 Wall Street, New York 5, N. Y.

American Founders Life Insurance Company of Colorado—Analysis—Copley and Co., Independence Building, Colorado Springs, Colo. Also available is a report on **United American Life Insurance Company of Colorado**.

American Seating Company — Bulletin — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin on **J. P. Stevens & Co. Inc.**

Armour & Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Baldwin Piano Co. — Memorandum — W. D. Gradison & Co., Dixie Terminal Building, Cincinnati 2, Ohio.

Bank of America—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Best & Co.—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Cerro De Pasco**.

Calgary Power Ltd. — Analysis — McLeod, Young, Weir & Company Ltd., 50 King Street, West, Toronto, Ont., Canada.

Chemetron Corp. — Bulletin — Bache & Co., 36 Wall Street, New York 5, N. Y.

City of Pawtucket, R. I. 4% Bonds—Bulletin—Industrial National Bank of Providence, 111 Westminster Street, Providence, R. I.

Control Data Corporation—Analysis—J. M. Dain & Company Incorporated, 110 South Sixth Street, Minneapolis 2, Minn.

Cook Coffee Company — Report — The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Cooper Tire & Rubber—Study—Straus, Blosser &McDowell, 111 Broadway, New York 6, N. Y.

Crompton & Knowles Corp.—Bulletin—C. D. Robbins & Co., 744 Broad Street, Newark 2, N. J.

Eastern Stainless Steel—Data—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also in the same circular are data on **Hevi Duty Electric**, **Otis Elevator**, **Gamble Skogmo** and **Long Island Lighting**.

Federal Grain Limited—Bulletin—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada. Also available are reports on **Canada Cement Co., Ltd.**, **Powell River Co., Ltd.** and **Canadian Natural Gas Industry**.

Flying Tiger Line—Analysis—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Food Mart Inc.—Memorandum—Dittmar & Co., 201 North St. Mary's Street, San Antonio 5, Texas.

General Motors—Memorandum—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Gimbel Bros.—Analysis—in current "Comments for Investors" —Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a brief analysis of **Maytag Company** and lists of selected securities.

Glaxo Laboratories Ltd. — Memorandum — Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

Harris Intertype Corp.—Data—Hardy & Co., 30 Broad Street, New York 4, N. Y.

Hein-Werner Co.—Memorandum—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Husky Oil Company—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Jim Walter Corporation—Reports—Johnson, Lane, Space and Co., Inc., 101 East Bay Street, Savannah, Ga.

Jones & Laughlin Steel Corp.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Madison Fund Inc.—Annual report—Madison Fund, Inc., Delaware Trust Building, Wilmington, Del.

Martin Co.—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

National Company—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **Brown Company**.

Pan American Sulphur Co.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **West Point Manufacturing**.

J. P. Stevens & Company Inc.—Review—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Syntex Corporation — Analysis — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo. Also available is a memorandum on **Angelica Uniform Co.**

Syntex Corporation—Analysis—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Texas Natural Gasoline Corp.—Memorandum—Eppler, Guerin & Turner, Fidelity Union Life Building, Dallas 1, Texas.

Towmotor Corporation—Review—Murch & Co., Inc., Hanna Building, Cleveland 15, Ohio.

Trans World Airlines, Inc.—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Watson Bros. Transportation Co.—Memorandum—Cruttenden, Podesta & Co., 209 South La Salle, Street, Chicago 4, Ill.

A. T. Brod Co. to Admit Balogh, Lesser

WASHINGTON, D. C.—Stephen E. Balogh and Martin Lesser on March 1st will be admitted to partnership in A. T. Brod & Co., members of the New York Stock Exchange. Mr. Balogh is president and Mr. Lesser vice president and treasurer of The Matthew Corp.

Neb. Inv. Bankers To Hold Field Day

OMAHA, Neb.—The Nebraska Investment Bankers Association will hold their annual field day May 19 and 20. William Martin, Dean Witter & Co., is General Chairman of the outing.

COMING EVENTS

In Investment Field

Feb. 19, 1959 (Chicago, Ill.)
Bond Club of Chicago 48th annual meeting and dinner at the University Club.

Feb. 24, 1959 (Detroit, Mich.)
Bond Club of Detroit 43rd annual dinner at the Detroit Boat Club.

Feb. 26, 1959 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia-Security Traders Association of New York annual Bowling Match.

Feb. 27, 1959 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia 35th annual midwinter dinner in the Grand Ballroom of the Bellevue-Stratford Hotel, preceded by a member-guest luncheon at 12 o'clock).

Mar. 22-27, 1959 (Philadelphia, Pa.)
Seventh annual session Institute of Investment Banking.

April 1-3, 1959 (San Antonio, Tex.)
Texas Group of Investment Bankers Association of America annual meeting at the Hilton Hotel.

April 3, 1959 (New York City)
New York Security Dealers Association 33rd annual dinner at the Waldorf-Astoria.

Apr. 10, 1959 (Toronto, Canada)
Toronto Bond Traders Association annual dinner at the King Edward Hotel.

April 29-30-May 1, 1959 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual spring party at the Sunset Country Club.

May 19-20, 1959 (Omaha, Neb.)
Nebraska Investment Bankers Association annual field day.

Chas. Davis V. P. of Chase Distributors

BOSTON, Mass. — Lawrence M. Kirk, President of Chase Distributors Corporation, national distributor for the sale of shares of Shareholders' Trust of Boston and The Chase Fund of Boston, has announced the appointment of Charles P. Davis as Vice President.

Mr. Davis will handle dealer relations for these funds in the South Central states, as well as the Pacific Coast, with present headquarters in St. Louis, Missouri. He was formerly in charge of wholesale distribution for Managed Funds, Inc.

George L. Austin Joins Conning & Company

HARTFORD, Conn. — George L. Austin has become associated with Conning & Company 15 Lewis Street, members of the New York Stock Exchange. Mr. Austin was formerly proprietor of G. L. Austin & Co., established in 1917, which was dissolved as of February 16th.

Clement A. Evans & Co. Adds Two to Staff

ATLANTA, Ga.—Clement A. Evans & Company, Inc., 11 Pryor Street, Southwest, announces the addition of two sales representatives in their Atlanta office.

Carroll E. Banks, who is a graduate of Atlanta Law School, has had 12 years previous experience in the securities field, recently being associated with French & Crawford, Inc.

E. Dargan Cole, was for many years President and Director of several Coca-Cola bottling companies.

A Blunt Opinion on How Canadians View the St. Lawrence Seaway

By STUART ARMOUR*

Economic Adviser, The Steel Company of Canada, Ltd.

Hamilton, Canada

Fearing that the Seaway toll-concession forced on his country may jeopardize $800 million Canadian investment, compared to our $275 million, Mr. Armour is more than bemused about the per capita Seaway cost difference of $1.57 per American compared to $45 per Canadian, and our contradictory insistence on tolls when domestically we have toll-free inland waterways. Speaking candidly as a friend, Mr. Armour indicates we stand in danger of appearing as a sort of road-show Shylock and passes on the opinion held above of 49 degree parallel whether it still wouldn't be better for Canada to construct locks between Montreal and Lake Erie to make it a wholly-owned toll-free Canadian facility.

Let me emphasize that what I shall have to discuss represents only my own interpretation of the views of Canadians, but since that interpretation is based upon submissions by a great many varied interests to our Seaway Authority, I feel it to be reasonably accurate.

Stuart Armour

I think in fairness there should be some warning as to the lowness of my boiling point, a fact which inevitably has a bearing upon my approach to any question — domestic or international. In Canada I have a well-established reputation as an outspoken curmudgeon — perhaps a legacy from my association with the late, great Mr. Harold Ickes. During World War II Mr. Ickes and I were responsible for the rationing of gasoline in our respective countries, an unpleasant experience bound to leave marks and scars upon even the most basically angelic disposition.

Because my family has been long established in North America, on both sides of the famous 49th parallel, and as a result of my own happy sojourn in Philadelphia, I never hesitate to assume the almost invariably resented role of candid friend.

In this connection it should always be remembered that Canada's national pastime is sitting in moral judgment upon the United States. Indeed, our "holier than thou" attitude makes the attitudes of certain religious bodies appear by comparison to be models of Christian humility.

Fortunately for outspoken persons like myself, President Eisenhower, when he addressed our House of Commons in Ottawa last year, established an admirable tradition of frankness between North American countries. So not from me will you learn platitudinous references to our undefended frontier, nor to a century and a half of undisturbed peace; though I hasten to add that I thank God for both.

But despite the somewhat sober face we Canadians present to the world, we are really a very rash people. How else could we have dared to develop ourselves as a separate entity within the orbit of your greatness.

When you come to think of it, no nation of seventeen and a third million people has ever had the nerve to do what Canada has done. For instance, we possess two truly trans-continental railways — one built in the days when manpower and the power of real horses were virtually the only energy available to railway and other builders. Both those railways traverse much country of really appalling bleakness; and both maintain their schedules in the face of well-nigh outrageous climatic conditions.

We Canadians mine for gold and uranium and iron ore, and we fish and we hunt for furs within the Arctic Circle; and should a river need reversing or a lake need draining, we go ahead in a style almost reckless to contemplate, despite cold or heat or black flies or the pessimistic prognostications of the chicken-hearted.

We have punched through solid rock under the municipality of Niagara Falls, Ontario, the two largest tunnels in the western world—each is 5½ miles long and each has an inside finished diameter of 45 feet.

Investment 2½ Times Larger Than U. S. A.

Those tunnels are part of a $350 million hydro - electric development. It is interesting to note that the $350 million the people of Ontario have spent on that hydro project is more than two and one-half times the amount spent by the United States on the Snell and Eisenhower Locks, and the connecting Seaway canal in the International Rapids section of the St. Lawrence River. Ontario today has a population of less than six million; the United States a population in excess of 170 million.

Now all the massive Canadian projects I have mentioned, and scores of others almost equally exciting, would have been remarkable in a pastoral country with an equable climate. What makes our large-scale undertakings really spectacular is the fact that our terrain is amongst the world's most rugged, and our climate tends very strongly toward harshness.

Some scientist recently said that the optimum mean temperature for mankind was 77 degrees. In some parts of Canada we can expect to experience that optimum for perhaps three months in the year. But in certain other large areas such a temperature would be even more "exceptional" than rain is said to be by the proprietor of any summer resort.

Nor are natural climatic conditions the only ones with which we Canadians have to contend. Perhaps an even greater hazard is the widely varying U. S. climate of opinion. This is a socio-political phenomenon which baffles all the pundits. It is a phenomenon under which the U. S. can blow hot and cold at the same time; a feat which must bring U. S. policies—if that is the word — and U. S. practices almost within the purview of the theologians. Here, indeed, is a mystery awaiting elucidation at the hands of some successor to St. Paul.

So we Canadians, in addition to being hardy constructors, undismayed by cost, climate or terrain, must also attempt the role of soothsayer—and this we find both difficult and baffling.

Nowhere has our genius for driving a difficult project to completion in the face of incredible odds been more dramatically demonstrated than in the case of the St. Lawrence. There is a certain fitness that this should be so, for the St. Lawrence River is interwoven with the history of Canada in a way which none but a Canadian can really understand. In 1535—424 years ago—Jacques Cartier sailed up the St. Lawrence River as far as what are now called the Lachine Rapids.

A baffled Cartier returned to France, but in succeeding years, the creation of a waterway to the interior of North America and beyond became almost an obsession with Canadians.

Incidentally, Lachine, which gave its name to the rapids, was itself so called because it was long regarded as the jumping-off place for China! Over the years we learned that you could not reach China by even the slowest of boats by way of the Great Lakes. But our desire to ensure that westward the course of Empire would take its way remained unabated.

Unless you have lived on the north shore of the St. Lawrence, or off Lake Ontario or Lake Erie or Lake Superior, or in our wheat - exporting provinces, you cannot begin to have any conception of the degree to which the construction of a Seaway became a national aspiration in Canada. Indeed, when the Bill creating our Seaway Authority was presented to Parliament in 1951, it passed without a single vote being recorded against it. This may not be a record unique in our history, but I suspect that it is.

The St. Lawrence Seaway, thus, means vastly different things to Canada and to the United States. To you the St. Lawrence Seaway is only an alternative system of transportation which may create additional competition for your already hard-pressed railroads. To most Canadians completion of the St. Lawrence Seaway represents the fulfilment of a national dream: the achievement in the face of enormous difficulties of a long-held hope after more than 300 years of almost continuous effort.

Those of us whose business it has been to try to assess the effects upon our Canadian economy of the coming of a 27-foot channel from the Sea to the head of Lake Superior have been baffled by the degree to which the Seaway has acquired emotional content.

Despite the fact that many Canadian manufacturers are certain to be unfavorably affected by the opening of the Seaway—and Canadian employment and production will thus suffer—economists have been powerless to damp down enthusiasm for this great enterprise.

In fact, one of the almost lyrical proponents of construction of the Seaway is now general manager of one of our largest banks. That bank has its head office in Toronto, the capital of industrial Canada! You Americans may think you know Canadians, but we have a great, if generally latent, capacity for surprising even ourselves.

Long before the present Seaway was started, we began to put part of our meagre substance into making the St. Lawrence a transportation artery of benefit to all the maritime nations of the world. Our efforts to construct a St. Lawrence Seaway even antedate the coming into existence of these United States.

* * *

The Welland Ship Canal [started in 1913 when Canada's population was about 8,000,000] with locks 800 feet long, 80 feet wide, and having a depth of 30 feet, was completed in 1932. By that time our population had grown to around 10.5 million. I have used population figures to establish a relationship with the total cost of the Welland Ship Canal, which was $132 million. Your expenditures on the canal and locks in the International Rapids section of the St. Lawrence are said to have been about $133 million. But when you started to spend that amount, your population had already reached 157 million.

By the time the Seaway opens next spring you will have a population of at least 176 million against a Canadian population of less than 17.5 million.

In the 344 years of our history prior to 1952, when construction of the Seaway to be opened this year really began, we had spent more than $318 million in developing the St. Lawrence as a highway of International trade. Our efforts in that direction included the provision of a 35-foot channel from tidewater to Montreal; a 14-foot canal system from Montreal to Lake Ontario; a 25-foot canal (the Welland) from Lake Ontario to Lake Erie; and a lock at the Soo 1,000 feet long.

That expenditure of $318 million, made by Canada prior to the start of construction on the St. Lawrence Seaway authorized by the Wiley-Dondero Act, compares very favorably with the $133 million you have spent on the International Rapids section, plus the $141 million you are currently spending on deepening the connecting channels in the Detroit, St. Clair and St. Mary's Rivers. In fact, our pre - Wiley - Dondero Seaway expenditure exceeded what is likely to be your combined Seaway expenditure by $44 million.

The exact cost of the just-completed St. Lawrence Seaway to Canada is very hard to estimate because of concurrent construction of a great and inter-related International hydro generating facility. The original Canadian estimate of the cost of the Seaway alone was $200 million, but it is certain that this figure has been very greatly exceeded.

Included in the original $200 million estimate was a figure of $1.2 million for the deepening of the Welland Ship Canal to 27 feet between locks. Up to date, the cost of deepening the Welland has exceeded $23 million, and it is now expected to have cost $30 million when the work is finally completed.

Canadian Cost of $800 Million

It is not suggested that all original Canadian Seaway cost estimates were as cockeyed as that with respect to the deepening of the Welland Canal. Nevertheless, a total cost figure to Canada of close to $400 million for the Seaway and works ancillary thereto is not now considered excessive.

In addition to the costs of up to $400 million being borne by all the taxpayers of Canada, the taxpayers of Ontario have pledged their credit to the extent of another $300 million to cover our share of the costs of the Barnhart hydro - electric generating installation.

So all in all, the taming of the St. Lawrence from a big and often turbulent river into "a highway of International trade," to use the official phrase once again, has involved expenditures by people living in Canada of considerably more than $800 million.

You can see from the figures I have quoted that our money, as well as our hearts, has gone into a project which to you is marginal, but which to many of us has come to appear vital.

While it is still too early to begin to assess all the economic effects of the Seaway, we, and you, can both take pride in it as a great engineering and a gigantic construction project. Beside it, all other canals appear pretty small potatoes.

Our joint Seaway is 1,200 miles long, and it take ships up to 765 feet in length with a draught of 25 feet, from tidewater to an elevation of 602 feet in Lake Superior. Nowhere but in the Welland Ship Canal do men attempt to raise vessels capable of carrying more than 20,000 gross tons of bulk cargo up an escarpment a distance of 325 feet. Until you have ridden up and down the Welland Canal locks in an ore carrier, you have not experienced

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*From a talk by Mr. Armour before the John Carroll University, Cleveland, Ohio, Jan. 27, 1959.

Life Insurance Company Stocks As Growth Investments

By WILLIAM W. AMOS*
Assistant Vice-President
The First Boston Corporation, New York City

Insurance securities expert, noting increased attention to life stocks since the mid-forties on the part of both institutional and individual investors, maintains that while some of the bloom is off, the long-term prospects continue very good. Mr. Amos suggests specific standards for classifying issues as Blue Chips, as underwriting profit margin, geographical and business diversification, capital position, and management; and predicts these issues' past good market record will be followed by continued superior appreciation records.

By comparison with industrial, public utility and other stock groups the investor interest in life insurance company stocks continues to be relatively small. However, dating from the middle 1940s there has been a substantial increase in the amount of attention which investors have given to stocks of life insurance companies.

William W. Amos

Daniel Webster is quoted as having said about Dartmouth College—"It's a small school but there are those who love it." So with life insurance company stocks—it's a small group but there are those who have good reason to love it—especially in view of the fact that in the ten-year period 1948-1958, the average appreciation for a group of 19 life insurance company stocks was over 1,000%. An investor who put $10,000 into a representative group of life insurance company stocks in 1948, would now have seen his investment grow to over $100,000. In some cases the rate of appreciation has been greater than this and in some cases less. But the average has been high by any standards.

In the brief time allotted to a broad subject, which has many interesting facets, I will address myself to the consideration of these principal questions:

(1) Why has investor interest in life insurance company stocks grown so rapidly since the middle 1940s?

(2) Are the long-term prospects for the life insurance company industry still as favorable as they have been?

(3) Are the market appreciation prospects for life insurance company stocks still as favorable as they have been?

Prior to 1945 there was relatively little interest in life stocks. In addition to the lack of digestible financial information relating to earnings and equity values, the declining trend in interest rates was an unfavorable factor for the life companies. It was not until 1948 that the average rate of interest earned on invested funds of life insurance companies showed a gain over the previous year (from a low of 2.88% in 1947 to 2.96% in 1948). About the same time the interest rate assumed in life insurance company investments was reduced from around 3% to 2½% to 2¼%. This change, coupled with continued good gains in mortality experience, has materially improved the earnings position and prospects of life insurance companies. The tax situation, with the premium it places on capital gains rather than income for many investors, also has tended to add to the popularity of life stocks. At the same time, the business of the life insurance companies has reached new peaks as the breaking of sales records each year has become a normal expectation. While the amount of available information has not increased materially, progress has been made in the direction of interpretation and analysis of the available data, so that investors have become better informed as to the relative performance of various life insurance companies.

It is particularly significant that the skilled professional analysts representing such growing institutional investors as pension funds and investment trusts have in many instances acquired sizable holdings of life insurance company stocks. This reflects the confidence of these analysts in their ability to interpret the available data and it also reflects the belief of these analysts that selected life insurance company stocks represent a desirable type of growth investment which meets many institutional investment requirements.

In answering the second question concerning the relative long-term growth prospects for life insurance companies today as compared with a few years ago, it is necessary first to summarize the factors which have contributed to their growth characteristics to date these are:

(a) **Rapid growth in the volume of life insurance in force.** During the past decade more life insurance has been sold than in all the preceding five decades of the industry's history. At the end of 1945 the industry's in-force figure was $150 billion. Today it is close to $500 billion. In the years ahead further substantial gains in life insurance sales are expected as the population rises to a level of over 200 million as the war baby population reaches marriageable or family formation age and as the Gross National Product rises from its present level of about $453 billion to over $600 billion.

(b) **Further gains in the rate of interest earned on life insurance investments.** From the low point of 2.88% in 1947 the gross rate of return earned has risen each year for the last 11 years to a 3.85% figure in 1958. If present tight money conditions continue, a further gain in the rate of return to a level well above 4% seems likely. At the same time more of the old business in force with higher interest assumptions is running off each year. Thus, further benefits along this line are expected although higher income tax rates may offset a good part of such gains.

(c) **During the last three years there has been a tendency for the mortality rate to level off.** However, most of the life insurance companies continue to report increasing mortality savings. This arises from the higher average age of the population and from the lag in the reflection of savings on old contracts. There is still room for improvement in mortality experience as progress is made in the battle against cancer and against heart and circulatory ailments. New surgical techniques, advances in antibiotics and other medicines also should contribute toward longer life expectancy. However, the rate of improvement in mortality is bound to be somewhat less than it has been in the recent past. Competition in rates, which shave mortality assumptions also may take some of the edge off future gains in this direction.

(d) **The life insurance companies have kept their operating expenses down below 18% of total income.** This is a remarkably good showing in the face of inflationary cost increases. The larger total of income has aided in this result as have new data processing equipment, including electronic recording and computing machines. There is still considerable room for savings or for retarding cost increases for the life insurance companies in this direction.

In general, the long-term prospects for the life insurance industry continue to be very good. Some of the bloom has been taken off the rose, however, and the rate of improvement may not be as rapid in the next ten years as it has been in the last decade. Prospects for further growth in volume of sales, in rate of return on investments and in expense control appear to be excellent. However, rate competition and slower gains in mortality, plus the impact of somewhat higher Federal income taxes may offset part of the future improvement.

How about the prospects for further market appreciation? Here again, it would appear that prospects continue to be good but perhaps not as sensational as they have been during the last decade. In the late 1940s many life stocks were selling at exceptionally low multiples of earnings, based on the present concept of adjusted earnings (including as credit for prepaid acquisition costs) there were cases in the middle 1940s where the p-e ratio was as low as 4 or 5 times. The rise in this ratio to a current average level of 17 to 18 times accounted for a good part of the appreciation records of many companies. While the present level does not seem to be excessive for growth stocks with as good prospects as many life insurance company equities, the chances are that the p-e ratio will not triple or quadruple in the next few years.

The life insurance business, despite the fact that it faces higher taxes and stiffer competition, continues to be a very good one. The floating supply of shares does not increase perceptibly except through splits and stock dividends. The available number of shares in sound companies seems to shrink in comparison with the growing investor interest in them. Acquisitions by fire companies have taken several life companies from the market in recent years. While the life stocks rose about 50% last year, it would appear that this was a greater annual percentage rise than might reasonably be expected in the future. However, even if they compounded an average annual rise of about 10%, which might be a safe assumption, many would show a 160% gain in ten years.

The "Blue Chip" Insurance Company Stocks

A "blue chip" stock is a prime quality security of a company which enjoys superior management and has a better than average record of earnings and growth. The implication is that the past record is the best guide to the future. Just as there are blue chips among the industrial and utility stocks so there are blue chips in the insurance group. Generally, the most reliable method for spotting a blue chip insurance company stock is to examine its profit margin on underwriting over the past 10 years. This is found by deducting the combined loss and expense ratio from 100%. Thus, a 10-year average combined loss and expense ratio of 94% or lower indicates an average underwriting profit margin of at least 6%, which is *prima facie* evidence of blue chip status. This is not the only test but it may be considered to be the most important of several qualifying attributes.

The blue chip insurance company stocks tend to capitalize to the greatest degree on the application of certain basic insurance principles, including:

(1) **Diversification among lines of insurance written.** Since it is rare that all lines of fire and casualty insurance are all unprofitable at once, the well diversified company generally is able to even out the swings and avoid the exceptionally bad underwriting experience which less well diversified companies might have in any given period.

(2) **Geographical diversification.** This involves sufficient size to write insurance business in several parts of the country so that, for example, tornadoes in a few western states would not be disastrous to the company in any one year.

(3) **Building up a strong capital position through the steady compounding of a superior profit margin on underwriting business.** Since fire and casualty insurance companies generally follow the practice of reinvesting all of their underwriting profits and paying out in dividends only about half of net investment income, it can easily be seen that the company compounding 6% or more will build up values for its common stock at a much more rapid rate than the company reinvesting only a 2% profit margin on underwriting. This build up of capital must eventually be reflected in market appreciation and in stock dividends and splits.

(4) **Greater capital strength arising from compounding a large underwriting profit margin means that there is greater flexibility in the investment of funds and less likelihood of dilution through the sale of additional shares of stock at a price below liquidating value.** Greater flexibility of investment policies may mean that advantage can be taken of investments in high quality common stocks under favorable market conditions. Of equal or greater importance is the ability which great capital strength provides for a company to grow and develop new forms of coverage without restrictions stemming from capital limitations. Thus the strongly capitalized company can take full advantage of the important growth characteristics of the insurance business.

(5) **The so-called "blue chip" insurance company also tends to benefit from having the resources to acquire and develop an able corps of management talent in depth.** This type of company also can finance the acquisition of the latest electronic data processing and tabulating equipment. These advantages make possible better service to policyholders at lower cost. This in turn facilitates the acquisition and retention of good accounts and in other words a profitable book of business.

(6) **Related to the foregoing is the "blue chip" companies' ability to provide "one-stop shopping" for insurance by means of the availability of a full line of coverage.** It is noteworthy that most of the so-called "blue chips" have acquired life insurance affiliates in recent years and thus have made their coverage even more comprehensive than it was just three or four years ago.

Five "Blue Chips"

A study of the price appreciation records of 10 of the major fire and casualty insurance companies covering the period 1945 to the present indicates a distinct advantage for the five companies having superior underwriting profit margins. The five "blue chips" were Hartford Fire Insurance Company, Federal Insurance Company, Insurance Company of North America, St. Paul Fire & Marine Insurance Co. and Continental Casualty Company. Assuming the investment of $1,000 in the stocks of each of these companies in mid-1945, the total $5,000 would now have grown to $24,500. For five other large fire and casualty insurance companies the comparable gain was from $5,000 to $9,360 in the same period. In other words, for the "blue chips" the gain was 390% versus an 87% gain for the other five stocks. While it is often said that statisticians can prove almost anything if allowed to choose the base year or starting point, practically all available data indicates that the "blue chips" have by far the best long-term appreciation records. The fact that these companies are compounding the highest underwriting profit margins practically insures that they will continue to have superior appreciation records.

The growing investor interest in these "blue chip" insurance stocks, particularly on the part of institutional investors and high tax bracket individuals may be expected to insure that they will have superior market demand. This is especially true in view of the limited supply of the stocks of these companies. Year after year more pension funds, investment trust, trust companies, educational institutions and in more states even savings banks have become interested in the top insurance company stocks. The trustees' lists of approved insurance stocks often are restricted to the few with the best underwriting records.

*A talk by Mr. Amos before the New York Society of Security Analysts, Jan. 30, 1959.

Nat'l Secs. & Research Elects Three V.-Ps.

The Board of Directors of National Securities & Research Corporation has elected a new Vice-President and two new resident

Philip C. Smith Harold H. Grothaus

Patrick J. Rafferty

Vice-Presidents to the corporation's executive staff, it was announced by H. J. Simonson, Jr., Chairman and President.

Philip C. Smith moves up to the post of Vice-President from that of Resident Vice-President in the metropolitan New York area. Elected Resident Vice-Presidents are Harold H. Grothaus and Patrick J. Rafferty. Mr. Grothaus, with headquarters in St. Louis, covers the states of Missouri and Kansas. Mr. Rafferty covers the states of Main, Vermont and sections of Massachusetts and New Hampshire.

Now Daly & Co.

BOISE, Idaho — The firm name of Wegener & Daly Corporation, First National Bank Building, members of the New York Stock Exchange, has been changed to Daly & Co., Inc.

The Merit of "Secondary" Fire-Casualty Stocks

By ROBERT CHAUT*
Kidder, Peabody & Co., Members New York Stock Exchange

Emphasizing advantage of acquiring issues before they become Blue Chips, Mr. Chaut advocates buying now fire-casualty insurance "sub-blue chips" for 12 to 24 months' holding, because of expected cyclical sharp rise in earnings. Shows latter have lately been laggard market-wise. Asserts that basic statistical measurements reveal secondaries as substantially more attractive than prime issues. Asserts while secondaries suffer underwriting losses during adverse conditions, in good times they do half as well as the primary companies. Lists problems to be considered along with the long-term merits of life insurance stocks, including increased trade competition, including encroachment by mutual funds; reduced profit margins; and impending tax increases.

I think we all can agree that the best investment policy — and this doesn't apply to any particular type of security—is to buy the blue chips before they become blue chips. However, as I don't have a crystal ball, I won't be able to give you that information.

I would like to talk, though, about the so-called "secondaries" or what we might term "sub-blue chips" and point out what I think are their very important cyclical merits. Fire-casualty insurance company earnings are cyclical and so are the market prices of their stocks; and the earnings cycle appears to be swinging upward. My discussion of the cyclicals is on the basis of holdings for the next 12 to 24 months — a period which should be one of increasing sales volume and sharply increasing earnings for this type of situation.

We must all agree, I believe, that the secondaries are substantially more attractive than the blue chips in relation to most statistical measuremennts. For comparative purposes I have made up certain basic statistics for five good secondaries—five stocks that I think should work out well investmentwise over the next few years—and have compared these statistics with similar data for five blue chips. The five companies comprising my group of "secondaries" are Aetna Fire, Employers' Group, American Insurance, Home, and Maryland Casualty; and the "blue chips" include Continental Casualty, Hartford Fire, Federal Insurance, Insurance Co. of North America, and St. Paul Fire & Marine.

The secondaries currently are selling at only 80% of so-called "liquidating value" versus a comparable price to liquidating value relationship of 130% for the blue chips. The secondaries are selling at less than 17 times estimated 1958 investment income after taxes versus a similar price to investment income ratio of over 31 times for the blue chips. The dividend yield available on the basis of current market prices is 3.6% for the secondaries versus only 2.1% for the blue chips. It is interesting to note that this lower yield on the blue chips appears to have nothing to do with the conservatism of the dividend payout since the blue chips on average are paying out 57% of after tax investment income while the secondaries are paying out only 60% thereof. I might point out that the average consecutive dividend record of the secondaries is 59 years versus 68 years for the blue chips, a difference that is quite unimportant.

Basic Statistical Point

We do arrive at one basic statistical point in which there is substantial difference between the secondaries, on the one hand, and the blue chips, on the other—the so-called underwriting profit margin, the profit earned on the insurance business. During the most recent adverse earnings cycle which lasted close to three years (I have used aggregate statistics for the period 1956, 1957 and the first nine months of 1958), the secondaries lost $4\frac{1}{2}$% on their insurance business while the blue chips earned $1\frac{1}{2}$% thereon, a difference of 6 percentage points in profit margin. However, in the eight years 1948 through 1955, a period in which the cyclical factors affecting the industry were relatively minor, the secondaries earned 4.7% on their insurance business while the blue chips earned 8.8% thereon. It seems to me that the conclusion that can be drawn from these figures is simply that when things are bad for the industry, they are very bad for the secondaries. But, in good times, the secondaries do somewhat better than half as well as the blue chips.

Leverage on Underwriting

Now, let us look at what I consider the most important factor in this comparison—leverage on the underwriting account. Currently, the secondaries are writing somewhat more than $1.50 of premiums of every dollar of market value of their stocks while the blue chips are writing a little less than $0.70 of premiums per dollar of market value. In other words, the premium to market leverage factor is approximately 2.3 times greater in the case of the secondaries than in the case of the blue chips. I think the conclusion that can be drawn is that while the secondaries — in a period of reasonable underwriting profits—earn only a little more than half the margin of profit of the blue chips, the leverage on the former's business is more than double that of the blue chips so that on a simple statistical basis, the secondaries' per-share earnings in relation to market value work out approximately the same as for the blue chips.

One final point, and an important one, relates to the market movement of the secondaries versus the blue chips. The last very adverse underwriting cycle reached a low point around the end of 1947. During the next two years—the period of substantial upswing in the cycle—the secondaries moved up 70% in market price while the stocks of the blue chips rose only 58%. It is interesting to note that since the highs of 1955—prices reached just before the most recent adverse cycle affected the industry — market prices of the fire-casualty insurance stocks moved down sharply and have come up relatively well in the last year or so. However, the secondaries are still selling 5% lower than their 1955 highs, while the blue chips have moved to a point where they are 18% above the highs reached in 1955. The fact that the secondaries have tended to move behind the blue chips in the recent upswing in the cycle suggests, I think, their relative attractiveness at this time.

Problems Facing the Life Insurance Industry

I think there are good reasons for belief in the long term merits of life insurance stocks. However, I should like to point out just a very few factors which may keep the outlook somewhat less rosy than might appear on the surface. First, there has been a great increase in competition; there are now more than 1,300 companies in the life insurance business as against only about 650 in as recent a year as 1950. Additionally, there has been increasing competition from the mutual funds for the savings dollar, particularly as the result of the inflationary cycle. Perhaps variable annuities may be the life insurance industry's answer to this competition, but it is still too early to tell.

Secondly, there has been a great increase in lower profit margin business put on the life insurance company's books in recent years —group and term life insurance particularly. Thirdly, there have been sharp reductions in premium rates which should bring about lower profit margins. The introduction of a new mortality table, recently approved by the National Association of Insurance Commissioners, will further enable the competitive-minded companies to reduce rates even more without being unduly penalized by the necessity of setting up deficiency reserves.

The Tax Threat

Most important, perhaps, from the shorter term point of view, is the question of increased Federal income taxes for the life insurance industry. Before discussing any of the details relative to the Treasury's recent proposal for increased taxes, I should like to quote from the New York "Times" of Jan. 26. In an article discussing the opposition of certain large mutual life insurance companies to this tax proposal, the "Times" says, "Twenty-four mutuals complained in a recent statement that the plan would discriminate against conservatively managed companies and is so complex as to be almost incomprehensible." I should now like to discuss the Treasury's plan.

Many questions remain concerning several of the technicalities of the Treasury's proposal so that my discussion of certain calculations I've made must be taken for what they're worth—purely as estimates, and extremely tentative ones, at that.

Since 1921, the life insurance companies have been subject only to a tax on investment income. Under the so-called Mills Plan—which has been operative in recent years—the companies have been subject to a 52% tax on 15% of their net investment income, on the theory that 85% of investment income was needed to satisfy reserve requirements. This same formula was used by each company in the industry. Under so-called Step 1 of the Treasury proposal — now being studied by the House Ways and Means Committee — a basic change in the tax on investment income is presented. Each company would compute its own tax base solely on the basis of its own experience through use of the so-called Menge formula with certain adjustments. I've made some very rough and very tentative estimates for eight major stock life insurance companies and the average proportion of investment income (on the basis of 1957 figures) that would be subject to the full corporate tax would be 23% thereof rather than 15% under the Mills Plan. Secondly, and most important, under Step 2 of the Treasury proposal, all other earnings, over and above the investment income subject to corporate rates, would be subject in effect to a 26% tax.

On the basis of Treasury estimates, using 1958 figures, the total tax bill for the industry would rise from $315 million (under the Mills Plan) to $500 million, or 59%. However, and most importantly with the stock companies' would be hurt more than the mutuals with the stock comapnies' tax bill rising from $75.6 million to $160 million, or 112%; taxes on mutual companies would go up from $239.4 million to $340 million, or only 42%.

Furthermore, it appears that the larger well capitalized stock life companies — those in which I assume analysts have the greatest interest—would be hurt more than the 112% average. This comes about because of the fact that many of the new and small stock life insurance companies which were subject to the Mills Plan tax on investment income only, would, in effect, be able to mark their underwriting losses off as a deduction against investment income, with their tax bill actually being cut. The larger companies would be expected to make up for this decline in tax.

On the basis of estimates I've made for eight major life insurance companies (using 1957 earnings), their tax bill looks like it would rise on the order of 150-160%. Translating this discussion into analyst's talk, I might point out that these eight major stocks are now selling at 25.3 times reported 1957 earnings. If the new tax proposal had been in effect, my very rough estimates show that the price/earnings ratio would have increased to 34.1 times or, in other words, reported earnings would have been about 25% lower. The companies, all pure life organizations, on which my estimate is based, comprise Businessmen's Assurance, Commonwealth Life, Franklin Life, Gulf Life, Kansas City Life, Life & Casualty of Tennessee, Life Insurance of Virginia, and National Life & Accident.

On the basis of so-called adjusted earnings—including rule of thumb estimates for the value of business in force—the price/earnings ratio would rise from approximately 17 times to about 21 times.

I would like to point out that there continues to be a very serious question as to whether this bill will pass. There has been strong opposition both from the mutuals and the stock companies. However, there is no doubt that the Treasury wants and expects $500 million in taxes from the life insurance industry. If no bill is passed prior to March 15, 1959, the companies would be subject to the law presently on the books, originally passed in 1942. Under this law the Treasury would receive its $500 million although the breakdown among companies and between the stocks and mutuals as a group would be substantially different than the breakdown of the tax on the basis of the Treasury's present proposal.

*A talk by Mr. Chaut before the New York Society of Security Analysts, Jan. 29, 1959.

The Outlook for Fire-Casualty Stocks

By GEORGE GEYER*
Vice-President, Blair & Co. Inc., New York City
Members New York Stock Exchange

Mr. Geyer asserts fire-casualty stocks are cheaper than the market, on basis of both historical relationship and value. Lists management measures taken to improve profit margins. Cites factors leading to restoration of earning power, including long-term growth of premium income; and foresees prospective 20% rise in dividend distributions. Points out importance of inflation as a potentially injurious factor, but predicts its actual impact will be reduced over next few years.

Fire-casualty insurance stocks —like the market as a whole— are at virtually their all time highs; some 10% above the last peak in July of 1955, and all of 65% above the subsequent lows of November, 1957, following 28 months of decline.


George Geyer

Accordingly the fire-casualty group hardly can be viewed as "sleepers." Insurance stocks generally are discounting appreciable improvement in earnings and if such betterment doesn't materialize, insurance equities might prove vulnerable to sharp decline.

Some suggestion however that fire-casualty stocks are cheaper than the "market" is presented by current and historic price relationships. As of the close Jan. 23, for example, our price index of 30 leading fire-casualty insurance stocks stood at 336.08, equivalent to just six times the Standard & Poor's Index of 500 Stocks at 56 on the same date.

Over a 30-year period however, (1929 through 1958 inclusive), our price index for 30 fire-casualty stocks has stood on average at 7.23 times the concurrent daily average of Standard & Poor's 500, at the mean between the highest and lowest price relationship each year. Fire-casualty stocks therefore would have to advance 20%, while the Standard & Poor's 500 remains stationary, to restore this long-term, historic price relationship between insurance stocks and industrials, rails and utilities.

On the other hand, in late 1957 many fire-casualty stocks could be bought at only seven times earnings which seemed a reasonable expectation within three years—and which now seem increasingly likely to be realized. Today a representative list of better quality insurance stocks—mostly equities with good institutional following—are selling on average at 10 times projected average earning power which might be expected around 1963. This makes the undervalued stocks of the group good "buys" in my opinion, but obviously not the absurdly under priced bargains they were 16 months ago.

I'd like to interject that with a portion of earning power as cyclical as the underwriting earnings of fire-casualty companies, it is impossible to look ahead five years and say that any specific year will be a particularly profitable or unprofitable underwriting year. "Acts of God" intervene to multiply the difficulty of forecasting on the basis of industry and economic factors.

Stocks Selling at Reasonable Earnings Multiples

Let me emphasize therefore that these insurance stocks are selling at 10 times the estimated "normal average" earning power of five years hence. This implies plainly that in good years in which underwriting profits are favorable, such insurance stocks should earn more than 10% on present market prices, while in poor underwriting years the earnings multiplier would be higher.

But will the historic price relationship between the fire-casualty stocks and the rest of the market be restored, or substantially reinstated?

I think so, if certain favorable influences upon insurance stocks which are currently operative—constructive forces which have caused the fire-casualty stocks to rise at a 90% more rapid rate than the Standard & Poor's 500 in the last four months—continue to function.

Management Measures

What are some of these favorable influences? Really too numerous, with too many ramifications, to discuss thoroughly in this very condensed presentation. But some of the measures undertaken by management, calculated to restore normal insurance profit margins, can be summarized as follows:

(a) **Higher Premium Rates:** Most notably, increased rates for automobile bodily injury, property damage and physical damage risks, which have been the "big devils" of insurance underwriting, accountable for most of the large underwriting losses of the last three years.

Premium rates for automobile bodily injury and property damage insurance were raised in 47 states and territories in 1957, and again in 39 states in 1958. There have been further rate increases in Ohio, Kansas, California, Oregon, Washington and several other western states already, in 1959. Because insurance companies do not derive any benefit from higher premium rates until policies on the books at lower rates expire, and are renewed at the higher premium prices, the 1957 rates revisions upward were only slightly reflected in 1957, and but partially in 1958 earnings. The maximum benefit thereof will not be felt until this year. 1958 rate increases were felt to rather negligible degree last year, will be much more fully effective this year, but will not be wholly operative until next year.

(b) **Agents' Commissions:** On automobile bodily injury and automobile physical damage insurance, Commissions have been reduced by five percentage points —which generally represents a 20% reduction in commissions— by numerous companies in many important territories. This radical action of reducing the commission paid to agents represents, I suggest, a "foot in the door" which may serve as a lever for further commission cuts on other types of insurance. The companies are "playing from a strong hand" on this point, because so much fire-casualty insurance really does not have to be sold, but must be bought in any event before an automobile owner can obtain license plates, or before a home owner can obtain a mortgage, etc., etc.

(c) **Reduction of Other Expenses:** The fire-casualty business is "running scared," and commissions paid to agents have not been the only point of attack toward the reduction of operating costs. Expenses have been cut through work simplification and automation: there is a trend toward more clerical work being done by machines in company offices, (where it can be handled at lower cost), than by agents, and similar economy moves are widespread throughout the industry. In the first nine months of 1958 the expense ratio of 52 leading stock companies was 39.3%, down from 39.7% in the year before. This is no large change, but the important point is that the **trend** is downward, and that the measures already adopted have by no means been fully reflected as yet in the ratio of expenses to premium writings. The cost-cutting operations already underway will become more fully operative.

Profitability Factors

Moreover, some of the inherent investment merits which have contributed so largely in the past to making fire-casualty stocks highly profitable investments have by no means lost their potency, and should again contribute importantly to the restoration of earning power. A few of these factors may be briefly enumerated:

(1) The premium writings of the capital stocks fire-casualty companies more than doubled in the decade ended with 1958, and last year were approximately six times the premium income of two decades ago. Over the last 20 years the premium income of our capital stock fire insurance companies has increased by 503%, while the Gross National Product has risen 412%.

This long-term growth will continue—for bear in mind, the fire-casualty business is far less dependent for its premium revenues upon the production of any single year, than upon the **accumulated**, aggregate value of the property in existence that must be insured, or liabilities that should be insured against. Thus last year about 5,400,000 automobiles and trucks were produced, compared with 7,220,000 in 1957. But despite this 25% decline in motor vehicle production, there were 68,470,000 cars and trucks registered at the 1958 year-end, compared with 67,163,000 at the preceding year-end; and **it's the number of cars in use which constitutes** the potential market for automobile insurance, far more importantly than the number of new cars sold in any given year. Similarly there was some $49 billion of new construction put in place last year, and even though a violent decline in construction occurred, we'd still have a net increase in the number of homes, stores, industrial plants in existence—all the real properties which must be insured.

(2) This persistent long-term growth at a substantial rate is important for another reason; the growth of premium volume means the accumulation of larger reserves, which constitute funds available for investment. In the fire-casualty business the return on such assets belongs to the stockholders of capital stock companies, not to policyholders. Insurance companies have a very important nucleus of high grade earnings in the form of this investment income—and such earnings tend to grow rather continuously. In 1957, the latest year for which actual information is available, investment income **after taxes** for 30 leading fire-casualty companies was 56% more than the investment income of five years earlier, and we estimate that last year investment income rose a further 6% over the year before.

(3) Dividend rates on the fire-casualty stocks **should** rise quite substantially upon the restoration of underwriting profits to the industry. We estimate that last year the aggregate dividend payments of 30 leading companies was equivalent to only 57½% of investment income **after taxes**, which is a very subnormal payout. With the restoration of underwriting profits we'd anticipate an over-all increase averaging about 20% in the dividend distributions on fire-casualty stocks.

(4) **Tax Loss Carry-Forwards** should help accelerate the reattainment of profits in amounts sufficient to justify higher stock prices. As an inevitable consequence of the harrowing underwriting experience of recent years, many companies of the fire-casualty group have very large tax carry-forward credits in relation to present stock prices.

In spite of what I have said, I would hate to leave with you the impression that all is serene on the fire-casualty front, and that the outlook for rapid restoration of underwriting profits is thoroughly assured. It isn't. The industry is still subject to certain occupational ills which will continue to plague them, among which two in particular might be mingled out as certainly among the most important.

(1) **Competition:** All phases of the insurance business are becoming increasingly competitive. The potent direct writers, in particular, have began to expand beyond the automobile field which formerly represented their principal area of operation, and are now selling fire insurance in a steadily widening territory, at rates below the prices charged by our agency companies. Encroachment also may be expected in the inland marine lines. The typical capital stock company in which we are interested has begun to cut agents' commissions, and thereby make the price of their product more competitive. But one company after another also is turning to such money-saving competitive devices as the continuous policy, direct writing company billing, and payment for policies in advance—all of which must come because—as previously referred to—the public is virtually compelled to purchase automobile insurance, fire protection on homes and other coverages, which requires minimum sales effort by agents and small demand for service from policyholders.

(2) **Inflation:** As the President of Travelers Insurance said some months ago—

"Inflation, not recession, is the real danger facing the insurance business and the nation today."

Inflation—even though it increases insurable values and ultimately stimulates fire-casualty premium income—certainly is not a bullish influence on these stocks, because prior to the derivation of any benefits, inflation raises claim costs, adds to the cost of doing business — and underwriting earnings decline or vanish until premium rates can catch-up, often delayed by the regulators of the business.

Belief in continued inflation seems so widespread, I wouldn't care to stimulate discussion of this point here, and become obliged to urge that inflation is not a current or near-term threat, because I'm sure that formidable opposition to this viewpoint would arise from many sources. However, Dr. Freund, economist for the Prudential says that—

"The public has become obsessed with the fear of inflation" and that "the stock market reflects a too acute awareness of the long-term aspects of inflation at a time when the danger of inflation is simply not present."

And a spokesman for the Federal Reserve said recently—

"As you look at the economy now, inflation is a state of mind rather than a state of facts."

In any event, certain it is that some of the indices which should be most sensitive to threats of inflation show no evidence thereof. Some economists, I know, feel that Reuter's UK Index of Commodity Prices is a better measure of world spot primary market prices than any domestic index—and the Reuter's index in the last quarter of 1958 was recording the lowest prices in nine years.

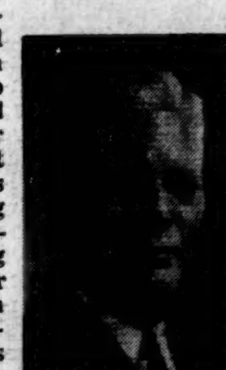
As to domestic prices, the Journal of Commerce Daily Index of Commodity Prices, at the end of last year, stood at the lowest figure since the middle of 1954—except that the index had been negligibly lower in late 1957, and throughout much of 1958.

So inflation—currently at least —does not show up nearly so much in reliable statistics as in conservation. There are tangible factors to restrain inflation in this country — wholly aside from our large, unused production plant capacity; foreign competition with our manufactures is increasing continuously; we also are afflicted with a continuing high level of unemployment. These things suggest, to me, that the average claim settlement cost of the fire-casualty companies will not be rising over the next few years, at the rate of the last few years—to the betterment of earnings.

*A talk by Mr. Geyer before the New York Society of Security Analysts, Jan. 29, 1959.

Sidney L. Weedon With Cooke & Lucas

Cooke & Lucas, 120 Broadway, New York City, members of the New York Stock Exchange, have announced the appointment of Sidney L. Weedon as manager of institutional sales.


Sidney L. Weedon

Mr. Weedon, formerly associated with Fidelity Fund, Inc. and Puritan Fund, Inc. of Boston, has been active in the distribution of mutual funds for more than 20 years.

Mr. Weedon served as a colonel in the U. S. Army during World War II and was military attache at several European capitals.

Mr. Weedon joins Cooke & Lucas at a time when the firm is celebrating its 25th anniversary.

Revel Miller Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas Zee has been added to the staff of Revel Miller & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange. He was formerly with J. A. Hogle & Co.

Two With Mitchum, Jones

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Orville E. Cockley and Edward W. Schroeder are now with Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Schroeder was previously with Schwabacher & Co.

Two With White & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John J. McDonough and Anthony J. Pod have become associated with White & Company, Mississippi Valley Building, members of the Midwest Stock Exchange. Mr. Pod was previously with William B. Milius & Co.

The Key Economic Issues of 1959

By DR. H. E. LUEDICKE*
Editor, "Journal of Commerce", New York City

Dr. Luedicke's business outlook views for 1959 revolve around whether Government will pursue an inflationary or an anti-inflationary approach to economic stimulation. He believes the advocates of the former are likely to sell the idea that "their brand of inflation really is not inflation at all" and, if they are successful, it will finally prove the stock market to have been right all along. The business editor's summary of 1959 indices includes the reminder that continued price inflation will depress our exports right out of the world markets.

We have reached the tail end of the annual forecasting season. That means we probably have heard or read it all. This puts a special strain on still another outlook discussion.


Heinz E. Luedicke

If anybody were to ask today for the "best" forecast, we probably would answer that the best one is the one that proves most correct—what else? But the best one is not necessarily the one that hits all major economic indices "on the nose."

The Best Forecast

To be sure, an economist who, a year ago, had forecast that the gross national product would close out 1958 at an annual rate of $450 billion, that the FRB production index would be back at a point of about 140, that the BLS wholesale price index would end the year at 120, and that the Dow Jones average of industrial stocks would perch near 580 would have good reason now to feel gratified.

There must have been some forecasters who came up with this four-way parlay, even though my file of 1958 forecasts fails to show even one.

That, however, is not the real reason. What counts is how much good such a four-way forecast would have done in the conduct of one's own business. Probably not very much, because one would hardly have accepted it at face value, not even in the case of a forecaster with a recognized "good record."

Actually, the annual index guessing game is only a relatively unimportant part of business analysis.

The "best" forecast is not necessarily the one that hits all major indices "on the nose," but the one that gives the best explanation of underlying economic forces that are likely to determine the business trend in any given period.

Post Mortem on 1958

At last year's A.B.A. National Credit Conference, we summed up the outlook by saying that "what really matters is that 1958 probably will bring the test of whether our economic system can work itself out of an even moderately difficult predicament without quick recourse to more inflation."

The test came—as announced—and the result was negative: we couldn't shake the recession without a stiff dose of new anti-recession medicine. We didn't even try.

The obvious theme of the 1958 forecast was the question of "How Much Recession?"

Opinions, at the start of the year, were quite sharply divided. Some economists missed the low point of the recession; some missed the turning point from 3 to 9 months; and some missed both depth and duration.

Most of those who went sour last year did so not because their slide rules were not working but because they erred in timing the effectiveness of the corrective (anti-recession) government measures that were initiated during the early part of the year.

There was a widespread belief early last year that, because of frequent repetitions, governmental pump-priming efforts would be less effective than in the preceding recessions. At any rate, it was generally thought that it would take from 6 to 9 months before the new anti-recession measures would take hold and throw the switch around. This would have pushed the start of the recovery into the third or fourth quarter of 1958. Instead, it started in May.

We were among those who expected a 6 to 9 months' time lag before the anti-recession medicine would take hold. This threw our timing of the recovery start off. We did not doubt that higher government spending, in its cumulative impact, would bring about recovery; but we guessed wrong on how quickly the increase in government spending would become effective.

Thus the economy emerged from 1958 with a new concept of the effectiveness of government spending. Instead of gradually losing its snap and effectiveness—by repetition—last year's experience proved that the anticipation of such automatic bailing out operations — based on the belief that the Administration can no longer afford to let the economy slide off — can and will bring about a more rapid effectiveness of such programs. While it is true that the dose of anti-recession medicine probably will have to be increased each time, recessions will move closer together, the cycles ending up steeper but also shorter.

This 1958 experience should prove helpful in the analysis of the 1959 outlook.

Major 1959 Perspectives

The chief key to the 1958 business trend was government spending. The same will be true in 1959.

Last year, higher government spending was the logical offset for the declines in all three major areas of business spending; plant and equipment spending, inventories, and exports. Without this offset, consumer spending would not have held up as well as it did, because consumer spending, as a factor in GNP, is a function of business spending and government spending combined.

How does the outlook for 1959 compare to last year's pattern?

(1) **Plant and Equipment Spending.** This type of business spending was the main factor in the recession as it dropped from an annual level of $37 billion to $30 billion last year. This drop exceeded the early 1958 expectations, and it was not until the final quarter of the year that the preliminary estimates for 1959 were raised moderately. The 1959 total is now estimated at perhaps $2 billion above the recession rate. This is hardly enough to push the upturn into high gear. The 1959 pace will make up at best about half of the 1957-1958 decline, unless the general recovery is speeded up by an inflationary breakthrough.

(2) **Inventories.** Wrong inventory guesses were primarily responsible for the overoptimistic forecasts early last year. Official estimates did not anticipate that inventory liquidation would become a serious factor in 1958, particularly the first half.

The 1958 decline was estimated at from $2 to $3 billion (annual rate), as things turned out, the actual drop was just about twice that much. Thus, the drop in inventories actually was as severe as, if not more so than, during the two preceding "inventory" recessions.

It now is a foregone conclusion that the inventory trend this year will be upward; it is still uncertain, however, how much total business inventories (manufacturing and distributors' stocks together) will rise.

Here, too, the decisive factor will be whether or not inflationary fears will stimulate purchases. This, in turn, will largely depend on commodity prices. To date, commodity prices have failed to reflect the improvement in business and a whole string of international uncertainties almost completely.

On the basis of current conditions, estimates now put the increase in inventories this year at somewhere in the neighborhood of $2 billion or a bit higher. Much will depend on this year's strike pattern. It would take serious strike fears or supply interruptions to induce anything like hectic inventory purchases. The steel industry is currently urging its users to step up their purchases in order to be better prepared for a midsummer strike.

Last year's liquidation carried total business inventories down from $91 to $85 billion. Accumulation this year—without an assist from more inflation—could bring the total back to $88 billion or so. After last year's experience, it is advisable, however, to keep inventory guesses at this time tentative, particularly since they could easily prove wrong in either direction.

(3) **Exports.** Exports also are expected to show some recovery this year although there is little chance that last year's drop will be recovered.

Any sort of inflationary breakthrough—contrary to its impact on prices, inventories, or investment spending — probably would have a further depressing impact on imports—as any shot of extra inflation from now on would further tend to price us out of world markets.

More or Less Momentum?

One of the most critical questions today is whether the recovery has reached the point from which it is likely to gain momentum—as if moving in its own orbit — or whether it still is in danger of being drawn back by the gravitational pull of the earth.

When the recovery started, many economists and business men suspected that it would prove a false alarm; that it would merely be a hump in the downtrend. When it kept on going, those who remained unconvinced that it was the "real thing" allowed that a W pattern (similar to 1954) might be shaping up. Still a while later came their admission that perhaps nothing worse was in the picture than a slowdown in the recovery pace. Since late last fall, this possibility has been under a sort of "on-again-off-again" discussion. These have been golden days for the "indicator boys," meaning those economists who primarily rely on the tracing and analysis of a specified group of statistical indicators.

The trouble with this school of thought is that, during periods of transition, the picture often changes so that a considerable amount of confusion reigns.

The fact that some four out of five forecasts for 1959 turned out "moderately bullish" was due to this particular forecasting approach. The followers of this theory do not believe that the recovery has already reached the point from where it can proceed under its own momentum.

They are right in stating that the GNP sector-by-sector analysis up to now has not yet come up with anything like an even reasonably firm forecast. The current preliminary GNP estimates could actually indicate anything from a fairly snappy improvement this year to a barely unchanged level of business.

This leads to the conclusion that this year once again a great deal will depend on the factor of government spending.

The Role of Economic Policy

Thus any outlook discussion for 1959 falls into two parts:

(1) The question of how business is likely to develop if left to its own devices.

(2) How this pattern may be changed through additional government stimulants.

If tied to a $77 billion Federal budget which would be considerably more deflationary than the current one with its $10 to $12 billion deficit, much would depend on how soon the 1958 anti-recession program loses its kick.

Under such circumstances, the prediction of a reasonably good year — but nothing sensational — would indeed make a lot of sense. This might mean a GNP within the range of $465 to $480 billion by the end of 1959, industrial production between 145-150 in the FRB index, a BLS commodity price index just a little higher than currently, and a stock price average anywhere between earth and outer space.

Within this concept, some sectors could go decidedly sour, however. Unemployment already is showing some signs of stickiness. The hopes for a new housing boom are not yet solid, unless they receive a new inflationary kick. Investment spending may fail to blossom out this year.

It is easy enough to say that there is nothing wrong with the outlook that a good shot of inflation could not cure, at least temporarily.

The problem is complicated by the fact that the doctors do not seem able to agree on a cure.

There are currently two widely split schools of thought in Washington on this subject: those who are willing to rely on the economy's own momentum and those who figure that another extra push will be needed to break through the current plateau with its moderate upward tilt.

The Administration under President Eisenhower is betting on a balanced budget—or at least on reasonable restraint in fiscal affairs.

The big question is how far the Democratic Congress will go along with such a concept.

This alternative means that the next trend direction could go either toward renewed recessionary pressures or toward an inflationary breakthrough that would spread inflation from the stock market into other economic sectors.

Another housing boom — rather than an automobile spurt—might spearhead such a move, underscored by a further boom in public spending generally.

The controversy is of course one between an inflationary and an anti-inflationary approach to economic stimulation.

Those opposed to inflation are saying so quite bluntly. Those favoring the inflationary approach are less direct. They don't call their approach inflationary but rather present it as "the only way that inflation can be broken."

This approach is not exactly new—but the idea of spending the fruits of fiscal growth before they are harvested seems to be gaining ground rapidly in Washington now.

The way this controversy is decided will determine the 1959 business pattern and that of 1960 as well. In the absence of a nose count of the new Congress, the most reasonable assumption is to expect a compromise which would improve the 1959 outlook moderately further.

This controversy also includes the risk of a more general inflationary breakthrough, however.

If Mr. Keyserling and his friends succeed in selling the idea that their brand of inflation really is not inflation at all, Congress could get sucked into another spending program this year that would finally prove that the stock market has been right all the time.

*An address by Dr. Luedicke before the 11th National Credit Conference sponsored by the American Bankers Association, Chicago, Jan. 23, 1959.

McCourtney-Breckenridge

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — James A. Breckenridge has joined the staff of McCourtney-Breckenridge & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

Now With Bache & Co.

(Special to The Financial Chronicle)

RALEIGH, N. C.—E. B. Langley is now with Bache & Co., 130 South Salisbury Street.

Morrison Adds to Staff

(Special to The Financial Chronicle)

CHARLOTTE, N. C. — A. C. Hewitt, Jr., has been added to the staff of Morrison and Company, Liberty Life Building.

NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION


Alexander W. Moore

Alexander W. Moore, New York Hanseatic Corporation, is a member of the board of governors of the Boston Securities Traders Association. His photograph was inadvertently omitted from the members of the board given in the special picture section of the Feb. 12 issue of the "Chronicle."

Keeping the Store Open

By E. J. HANLEY*

President, Allegheny Ludlum Steel Corporation, Pittsburgh, Pa.

Steel industrialist urges cost of modernization still to be done in American industry, which he relates is $95 billion, be started quickly and energetically to maintain our prosperity and international competitiveness. Mr. Hanley singles out three problems affecting our future as power of big labor, inflation and growing foreign competition, and recommends we overcome these problems by improving our productivity and moderating wage cost increases, revising our tax laws to encourage capital investment, and by making price level stability a principal economic policy.

Important as technical problems are to us, we face more than just technical problems in our industry and in American industry generally. The total economic and political climate of our land has a direct effect on what we do today and what we shall be able to do tomorrow. Moreover, changes are taking place in that climate that make our job of keeping the store open a different and more difficult job than it has ever been in the past.

E. J. Hanley

Keeping the store open; providing better merchandise for the customer; maintaining a good place to work, with proper rewards, for the employees; planning improvements in the store's efficiency; keeping the public aware of the store's role in the community; organizing for the future growth and profitability of the store—these are the day-to-day problems that we face.

Thet biggest problem of all, of course, is the future of the store. Will it be open the day after tomorrow? Will another store come along with greater consumer appear and with lower prices?

I am not al all sure that the political climate, as indicated by the results of the recent elections, will be such as to simplify the problems of keeping the store open. The political writers have been analyzing the results of those elections from many angles—national trends, local influences, causes for victory and defeat. I am no political expert and I cannot argue with their many conclusions. However, there can be no doubt that a greater number of governors and state and national legislators were elected with the assistance of organized labor. That is a dramatic illustration of the further extension of the power of labor in elections.

Forces At Work

The great forces shaping our future are many. Perhaps we are not wise enough to see them all today. But it seems to me that the apparent forces likely to have the greatest effect on our ability to operate our businesses in the future are these:

(1) The power of big labor.

(2) Inflation.

(3) Growing foreign competition.

Earlier in this century, labor fought a battle to establish the right of American workers to organize and to bargain collectively through representatives of their own voluntary choosing. That battle ended 20 years ago. The changes were long overdue. It was time for the pedulum to swing—and it swung.

But has the pendulum swung too far?

I think it may have. Labor unions now cover entire industries and, with their affiliations, more than one industry. We hear of the Teamsters Union planning to encompass all transportation industries. The merger of the AFL-CIO came about with barely the slightest murmur in the nation's capital that this might be in any way against the public interest.

Over the years, labor has become so strong that it has virtually forced industry-wide bargaining in industry after industry.

The power of labor has even international connotations, as evidenced in the recent decision to consolidate the power of seamen's unions throughout the world to boycott vessels flying "flags of convenience." I do not argue the merit of this dispute. I simply point to the facts.

Incidentally, in discussing the power of big labor, I hope that I will not be misunderstood. I am not "against labor." Far from it. The men and women who are the employees of our company are the principal asset of Allegheny Ludlum Steel. We work successfully in our plants with the elected representatives of unions representing our employees, in a spirit of mutual understanding and toward common equitable goals. I am happy to say that our relationships are excellent.

Two weeks ago, the United States Circuit Court ruled against the proposed Bethlehem-Youngstown merger because of the possibility, as the Court saw it, that competition might be decreased, or the opposite — that monopoly might be encouraged. Certain Senators have complained about the size of General Motors, saying that corporation is "too big" and should be broken up. Yet labor is specifically excluded from our anti-trust laws. No one proposes that labor combinations be restrained.

Some companies, in order to offset the power of unions using divide-and-conquer tactics, are now combining their resources. We have seen this kind of collaboration recently in the airline field.

No "Underdog" Today

I honestly believe that the general public has little or no realization of the power of big labor in the United States today. Some 30 years ago labor was the "underdog" and somehow people erroneously believe this still to be the case.

But labor is far from being an "underdog" today. It commands vast material resources. It has attained, generally speaking, an excellent position in the public prints. Its people command the attention of, and in most cases the respect of, management, community opinion leaders, editors of important publications, and the public, generally.

Labor's greatest power, however, is its ability to force uneconomic wage increases on American industry. The power of labor is now such that it can almost dictate, and with the aid of sympathetic government administrators can all but impose, terms of wage settlements in a growing number of industries.

Abuse of power by big business in the last half of the last century and in the early part of this century resulted in the anti-trust laws now being aggressively enforced. Abuse of power on the part of big labor could have similar results as the public's realization grows of the extent of the pendulum's swing.

The power of labor has a significant, if not governing, influence on the next two forces that concern the operation of our store, namely inflation and growing foreign competition.

Inflation

Keeping the store open with the problems of creeping inflation today and the threat of galloping inflation tomorrow is a major problem for the businessman. Dr. Arthur F. Burns, the noted economist, said in October: "Continued inflation not only mars a nation's prosperity; it may also endanger it by striking more directly at its roots."

Inflation, no matter how little or how great, does in fact strike directly at the nation's roots. It is certainly the most serious problem of our time. Fortunately, the public is becoming aware of the problem of inflation, having felt the impact of the wage-price spiral during the postwar period.

Budget deficits in Washington, monetizing the public debt, the effects of World War II's economic imbalances, and the public pressures that will not allow government to tolerate even a corrective deflation in the economy — these, and other, factors contribute to inflation. For the businessman, however, wages are the most important direct factor in the picture today.

Dr. Burns has a pertinent comment on this: "If the price of labor rises energetically during times of expanding business, as we know it commonly does; but if it fails to decline, or even rises further, during recessions, as it has of late; then it seems clear that wages are bound to exercise more or less steadily an upward push on prices, unless improvements in productivity become much larger than they have in recent times."

This terrible economic malady of inflation strikes at the lives, the homes, the pocketbooks, the savings, and the future welfare of every one of us. There are three principal ways in which inflation strikes at the nation's roots:

(1) Inflation distorts the accounts of business firms and thereby creates an illusion of profits when, in actuality, capital is being consumed.

(2) Inflation reduces the nation's ability to sell in foreign markets.

(3) Inflation is always apt to give rise to expectations of further inflation. Once such public attitudes become widespread, extensive speculation in commodities, real estate, or securities inevitably occurs — leading to the general collapse of the economy.

We have been witnessing the growing public alarm over the wage-price spiral, which is a principal symptom of inflation today. It has been noted that this spiral has defied the laws of classic economics and that it appears to be the opposite of classic inflation, which is too many dollars chasing too few goods.

Today's Inflationary Psychology

Nevertheless, there does exist a widening public inflationary psychology today, and it is directly connected with the wage-price spiral. The spiral has shown increasing resistance to the effects of weakening demand, which might have been expected to reduce costs and to lower prices in times of recession. What has happened instead?

During the recession of 1949-50,

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*An address by Hr. Hanley before the Buffalo Regional Technical Meeting of American Iron and Steel Institute, Buffalo, N. Y.

Preservation of Nation's Strength Contingent on Balanced Budget

By DONALD R. BELCHER*

Formerly: Treasurer of American Telephone and Telegraph Co. For 33 Years; Professor at University of California, and Assistant Director of U. S. Bureau of the Budget.

Little known in George Washington's famous farewell address, according to a former A. T. & T. Treasurer, is his resolute admonition against Federal financial dishonesty. Mr. Belcher recalls Washington's proscription on avoidable debt and spending, and fortitude displayed in achieving currency reform, debt refinancing and raising of revenue. He likens President Eisenhower's stand on balanced budget to our first President's thoughts on the subject and suggests we honor the memory of George Washington by taking his advice on cherishing the the public credit and thereby preserve the nation's strength.

Four weeks ago, the President of the United States presented to the Congress his budget for 1960 in the amount of $77 billion. From personal experience, I know that few subjects generate as much heat and controversy as does the problem of the government's budget. At this moment, the "Battle of the Budget"—in the halls of Congress and throughout the nation—is on. As citizens we ought to be forming our opinions and expressing them to those who represent us in Congress.

Quotes Washington on the Budget

We each have a special place in our hearts for the Father of our Country, and I've done a little research on George Washington's budgetary and financial operations for the new Republic of his day. We are accustomed to thinking of his farewell address primarily as a warning against factions at home and entangling alliances abroad. But that very durable curtain speech went farther, and I'm going to quote a few lines to set a perspective for what else I have to discuss.

Here is what he had to say about budgetary policy:

". . . As a very important source of strength and security, **cherish public credit.** One method of preserving it is to use it as sparingly as possible, avoiding occasions of expense by cultivating peace, but remembering also that timely disbursements to prepare for danger frequently prevent much greater disbursement to repel it. Likewise, **avoid the accumulation of debt,** not only by shunning occasions of expense, but by vigorous exertions in time of peace to discharge the debts which unavoidable wars have occasioned, not ungenerously throwing upon posterity the burden which we ourselves ought to bear."

You may recall that when Washington first took office all debts contracted by the Confederation and the several States in conducting the Revolution were in default, depreciation of the currency was reflected in the phrase—"not worth a continental," and the land was swept by inflation. Under Washington's magnificent leadership—with the able assistance of Alexander Hamilton and in the face of bitter opposition on the part of other members of his Cabinet and many Congressional leaders—all indebtedness was refinanced, revenues adequate for interest and amortization as well as other Federal expenses were provided through taxation, and the first Bank of the United States was established. The foundation had been laid for sound credit and financial integrity.

Less well remembered, perhaps, are the tribulations which George Washington suffered at the hands of his compatriots. For that reason I quote briefly from a letter which he wrote to Thomas Jefferson near the close of his administration:

"Until the last year or two, I had no conception that the parties would go to the lengths I have been witness to—that every act of my Administration would be tortured, the grossest and most insidious misrepresentations be made, and in such exaggerated and indecent terms as could scarcely be applied to a Nero—to a notorious defaulter—or even to a common pick-pocket."

That George Washington was able to surmount such vindictive opposition makes his noble achievements in good government all the more remarkable.

In terms of dollars, of course, Washington's problem may seem small in comparison with ours. His budgets averaged less than $1 million annually. His whole State Department consisted of seven people including the Secretary, and all seven of them cost the taxpayers an aggregate of $6,300 per year. But his budgetary advice can be played back to us without losing any of its timely significance. He calls for candor in choosing among the things the government is to do. He reminds us that Congress will be controlled by public opinion in acting on the budget. And he points out that when we ask the government to spend money we must face up to paying the taxes that are required.

Coincidentally perhaps, these very thoughts can be found, with different phrasing, in President Eisenhower's Budget Message, his Economic Report, and his address to Congress on the State of the Union.

Strange Turn of Events

Isn't it a strange turn of events in this country when the President of the United States has to defend himself for proposing a balanced budget? There was a time when we all took it for granted that the government should balance its budget and even make some payment to reduce the national debt. It was cause for great anxiety and concern when the budget was unbalanced. What is changing our thinking? It's time for some soul-searching to decide just what it is that we do expect of our government.

Everyone has a vital interest in the stability of the dollar. Some of us are wage and salary earners. Some are building up insurance and resources for retirement. And some of us have reached the "using-up" rather than the "building-up" stage. But all of us are consumers. None of us can afford to play Russian Roulette with the value of our currency.

Now, what does this have to do with President Eisenhower's budget recommendations for the next fiscal year? He estimates that the government will spend about the same amount over the course of the year. The two balance out, almost to the dollar. That means that next year the government will be living up to

Continued on page 46

*An address by Mr. Belcher before the Dinner of Sons of American Revolution, Westfield, N. J., Feb. 14, 1959. The author is currently reviewing budgetary procedures at University of Pennsylvania.

From Washington Ahead of the News

By C. BARGERON

Since 1933 when we took the farmer under our benevolent wing and decided that he was virtually our problem No. 1, we have spent upon the gentleman approximately $42 billion. The gross income from farms has been during that time around $275 billion.

Carlisle Bargeron

However, you might say this is water over the dam and we may as well write it off as a bad investment. But we are not doing that. It isn't water over the dam that our farm surplus on hand has now risen to $9 billion and that the storage is costing us $1½ billion a year. We have reduced acreage all right; since the Korean War 1,000,000 farms have been cut down or gobbled up by bigger farms. Last year we planted the smallest acreage in 40 years and yet the output was 11% greater than any of the previous 40 years.

Great stress is laid in come quarters on our farm "exports." But what do they mean about exporting. We subsidized one third of the sales, by which is meant gave it away to up and coming needy countries and exchanged it by barter or otherwise sold it for the cheap currencies of those countries which means that this currency can only be used by visiting Congressmen and other expenditures in those countries. We have even subsidized our commercial sales by 5%. So it is quite manifest that our agricultural economy is an expensive luxury.

In spite of this, there is no real plan or idea on the part of the Administration to deal with the problem this year. The Administration has a plan to reduce price supports which the Congress won't accept and the Administration knows it. Secretary Benson knows it, yet he sticks to something which he knows will not be accomplished. He has been described as the most honest Secretary of Agriculture we have ever had. Ask most people about him and the response will be that he sticks to his principles.

The question arises as to whether he is not too stubborn. After all, Congress is a part of our government and must be reckoned with. Benson is so fixed in his opinions about Congress and what he calls politicians that there are few of them with whom he will talk. Calls from Congressmen to him go unanswered. He is either out of town making some speech before a business organization or he just ignores the call. He makes little attempt to meet the Congressmen, who have their problems, half-way. If anything, he shows his impatience with them. He is a man eminently endowed, as he figures it, to be right and the people from the hill who beseech him are not worthy of his time.

The result is that he has had some of the staunchest Republican leaders throw up their hands in despair.

I have in mind one: Senator Capehart, of Indiana. The Senator plans to introduce his farm research bill again this year. The Secretary has always been opposed to it because the Administration of the bill would not be under him.

Yet if there is any solution to the farm problem — and I don't [illegible] re is—the Senator's bill would be a contribution. He believes that time has shown that we can't control production. Not only that, but that approach is wrong anyhow. He would set up a research program—a crash research program the way we made rubber during the war—to develop increased industrial uses of farm products. He makes the point if only a small percentage of our corn was used in alcohol production the market for corn would be tremendously increased. It can be done. Corn can now be used to make alcohol. But it costs more. Continued research, the Senator believes, will make the cost competitive. He tells of about 40 more uses which the scientists have developed for industrial products. All they need, the Senator believes, is a little push, and they will be marketable on a commercial basis. When this develops there will be no farm surplus.

Form Wayne, Bickart

Wayne, Bickart, Madoff & Co., Inc. has been formed with offices at 165 Broadway, New York City to engage in a securities business.

THE MARKET . . . AND YOU

By WALLACE STREETE

Much of the stock market was content merely to back and fill this week. And in other areas where good news centered, the market showed that much of the good news had been discounted already and the profit-takers were quick to move in.

* * *

The year's range for the industrial average so far has been a comparatively narrow one, between 575 and 597. The lower area brought in support on the first important sinking spell of the year. The 590 area lately has been one of enough supplies of stocks to stall rallying attempts.

* * *

It presents a picture of a trading range from which any breakout would have significance as indicating the path of least resistance, at least for the short term.

Split News

Eastman Kodak, American Telephone and Colgate-Palmolive, all of which finally came along with stock-split proposals, were able to show good action momentarily but without seriously threatening their 1958-59 highs and run-ups in them were cut back a bit abruptly by realizing. Where hopes were high for split action, as in Polaroid, and dividend action was routine, the chagrin was evident.

* * *

Rails were largely neglected, and oils were given to sliding downhill quietly with a good bit of attention centering on the items affected by Venezuela's harsher tax bite. The retroactive tax increase cost Creole Petroleum dearly and the company was forced to pare its dividend which, in turn, is no help whatsoever to its big parent, Standard Oil of Jersey. The bad news, however, had been well discounted in advance and produced nothing sensational in the way of market reaction.

The Unclear Auto Picture

Auto issues found little fodder in trade reports except that the preference among the Big Three seemed to center on Ford while the laggard was Chrysler which found the now ended glass company strike seriously hampering its output. Although January output showed up well in comparison with the first month of last year, it actually was down some 13% from December. Moreover, the industry estimates of total production for all of 1959 were on the cautious side and, if realized, would only show the same results achieved in 1954, which was far from any record year.

* * *

This unclear picture would normally weigh a bit on the steel stocks but here, because of midyear threats of an industry strike, operations were bubbling along nicely. Except for a few special situations such as Inland, a split item, and Lukens Steel which is given to wide gyrations on occasion, there wasn't much market reaction to the high level operations of the steel mills because it was hard to figure out how much production was going to build up users' inventories as insurance against a strike, and how much represented thriving business.

* * *

Apart from its split plans, Inland Steel was one of the companies that was humming along merrily. Even last year its operating rate was more than 20% higher than the average for the entire industry and currently the company is reported to be operating within 10% of full capacity. Its $4.50 indicated dividend was well covered by earnings of above $8 which still leaves room for the hopefuls to envision more dividend largesse in the future, particularly if earnings for the first half are considerably better than for the comparable period last year.

Good Fields in Health-Scared Tobacco's

Cigaret issues had another of their recurrent health scares to weather with a magazine blast against cigarets and cancer. Their easiness was largely a one-day reaction and it still leaves this group as one where the better yields are available. Record usage of cigarets was achieved last year and profits are good. Liggett & Myers, despite a drop of some $14 millions last year in sales, was able to boost profit by $3 millions. Its indicated rate provides a liberal yield of better than 5½%, well covered. Lorillard, despite the fabulous increase in its market price in the last couple of years, had a yield approaching 6% at recent levels on its indicated rate. The hopeful note here is that the dividend was increased in each quarter last year although the company in planning for a stock split studiously avoided any dividend projections.

* * *

In the auto supply group the item that seems to be most immune to the ups and downs of new car sales is the newly-listed Champion Spark Plug, some 90% of its sales representing replacement parts as against original equipment. The stock has been no ball of fire since it was listed, carving out a narrow range of only half a dozen points. The indicated dividend rate is $1.20 annually, the yield comfortably above 3%.

Price Boost Helps Coppers

Coppers, benefitting from a boost in the price of the metal by custom smelters, were given to better market action than has been their lot for a long time. Most of the research among the copper stocks features the earnings potential of the companies at various prices for the basic red metal, which obviously doesn't mean that these prices will be posted. Anaconda, however, would seem to have its costs well under control and some of the analysts see this company able to duplicate its record earnings of 1956 without the metal getting within half a dozen cents of the 46 level of that year. With an earnings potential of around $6 a share at the present 30 cent price, it means that Anaconda would stand a good chance to double its profit potential if copper gets above 40 cents.

* * *

Campbell Soup in the food section is another issue that was listed only late in 1954 and had a calm market life ever since until the company upped its dividend modestly in the first declaration of 1959. The dividend had been unchanged for four years. The action enable the issue to break out of its narrow range (in 1957 it held in a range a shade less than five points all year) on the upside but at recent levels the issue still offered 3% for an investment grade issue.

Former "Sleeping Giant" Retainer

In the retail trade issues, the usual style is to refer to Montgomery Ward as a "sleeping giant". Under its old management this mammoth mail order house had concentrated merely on maintaining the status quo, but since 1955 has been engaged in widespread expansion activities. Sales and earnings have been benefitting from the shift, even during last year when the recession was the big topic this onetime darling of the institutional investors is still an unexciting item but does offer a liberal 5% return plus some evidence that the company has turned the corner and is finally on the upgrade.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Private Electricity's Outlook In the United States

By E. M. NAUGHTON*

President, Utah Power & Light Company, Salt Lake City, Utah

Utah utility head announces 14.4 million kw. of new electric capacity will emerge in 1959, and investment for new and replacement equipment will be about $5 billion in 1959 compared to $3.8 billion in 1958. Despite this upward investment trend, which is opposite to industry in general, Mr. Naughton discommends growth of socialized output from 7% to 24% of generating capacity with 29% of government investment in electric properties paying only 2% of total taxes paid on all electric properties. He calls for a more effective job of explaining the consequences of this to the American people and upbraids efforts to curtail attempts to inform the public.

E. M. Naughton

I would like to touch briefly on the following six points: (1) The electric utility industry's place in the 1958 recession; (2) The industry outlook for 1959; (3) The industry's National Electric Living Program; (4) U.S. and Russian power development; (5) The job we are doing well; and (6) The job we are not doing well.

The Electric Industry's Place In the 1958 Recession

In 1958, investment by all industries for plant and equipment declined from the 1957 figure of $37 billion to $31 billion. The electric industry was a most stabilizing factor on a national scale. During the year 1958, the electric industry reached new highs in every field (Table I). It spent nearly $5 billion for new plant and equipment, $200 million more than the previous year. It added 14 million kw of new generating capacity, an increase in generating capacity of 10%. Its reserve capacity is now about 25%. The industry's maximum load was 118 million kw. 6% above 1957.

The investor-owned electric utilities were responsible for nearly 80% of the $5 billion construction expenditure for the electric industry. And it is significant that the investor-owned segment accounted for about one-eighth of the total expenditures for all American industry for new plant and equipment in 1958.

The total revenues of the investor-owned electric industry were nearly $8½ billion, some $360 million above the previous year as a result of the ever-increasing use of electricity by the American people.

1958 Results

These 1958 results show that the electric utility companies constitute one of America's most stable and dynamic industries. They show why the utility industry must constantly plan ahead if it is to be in a position at all times to supply the growing requirements of its customers.

*An address by Mr. Naughton before the 2nd Annual Power Progress Dinner, New York City, Feb. 5, 1959.

The Industry Outlook for 1959

As to the industry's outlook for 1959, 14.4 million kw of new capacity will be brought into service. (On a longer range basis, 39 million kw of new capacity are on order or scheduled for service in the next few years.)

Expenditures for new and replacement equipment will be about $5 billion in 1959.

It is expected that America will use 616 billion kwh this year and, interestingly, each of the different sales classifications — residential, commercial and large industrial — will increase their use between 8% and 9% (Table II).

The Edison Electric Institute's National Electric Living Program

The EEI has decided to take over the leadership in the promotion of electrical sales and it has developed a National Electric Living Program, commencing Feb. 8.

The program has been developed by the Institute but it is financed by individual utility commitments on an entirely voluntary basis.

The industry's enthusiasm and interest are beyond our expectations and participating companies have pledged in excess of $2½ million for the year 1959.

This program, using national television, newspapers, magazines and other media, has become the backbone of the entire industry's efforts in residential promotion.

Undoubtedly several times this $2½ million will be spent by major manufacturers in a comparable sales promotion program.

General Electric has announced that it will continue through 1959 its "Live Better Electrically" project.

Westinghouse has developed a new "Total Electric Home" concept and has announced that it will spend $2½ million on this program in 1959.

Other companies are supporting the new program with vigor and imagination and will announce later the extent to which they will promote residential sales.

At local levels the electric companies, distributors and dealers are developing activities to take full advantage of these national advertising programs.

Discusses Relative Electric Capacities of the U. S. and Russia

Soviet total electric generating capacity at the end of 1957 was less than the total of new capacity

Continued on page 37

TABLE I

Item—	1957	1958	Increase	% Inc.
Peak—total industry (kw.)	110,850,000	117,700,000	6,850,000	6
Capability—total industry (kw.)	135,450,000	149,000,000	14,550,000	10
Kilowatt hours generated—total industry	631,000,000,000	641,000,000,000	10,000,000,000	1½
Revenues — investor-owned	$8,054,000,000	$8,416,000,000	$362,000,000	4½
Net income—investors-owned	$1,427,000,000	$1,534,000,000	$107,000,000	7½
New plant & equipment—investor-owned	$3,700,000,000	$3,800,000,000	$100,000,000	3

TABLE II

Item—	1959	1958	Increase	% Inc.
Total Sales (kwh.)	616,000,000,000	567,000,000,000	49,000,000,000	8½
Residential Sales (kwh.)	175,000,000,000	160,000,000,000	15,000,000,000	9
Commercial Sales (kwh.)	109,000,000,000	101,000,000,000	8,000,000,000	8
Large Industrial (kwh.)	297,000,000,000	272,000,000,000	25,000,000,000	9

Future capacity on order or scheduled in the next few years is 39,000,000 kw.

Connecticut Brevities

The **R. R. Donnelly & Sons Company**, one of the nation's largest printers, is considering a 32-acre site in Old Saybrook for the construction of a new branch plant. The plant would be used for the production and distribution of Life magazine in the Northeastern section of the country and would eventually employ 300 persons.

* * *

A system of devices that automatically collects accounting, production and payroll data and reduces it to a form that can be digested by computers, was recently introduced by **Stromberg Time Corporation of Hartford.** The Stromberg's Transactor System has two standard components; Transactors which collect data from prepunched cards, numerical dialing, coded keys or by all three at once; and The Compiler, a central recorder that decodes signals from the Transactors and punches them out on a tape. This tape is compatible with most standard tape-reading typewriters, card perforaters or computors. The first two intallations have been integrated with an IBM 650 and a Univac I.

* * *

The directors of **Fanir Bearing Company** of New Britain recently voted to increase the cash dividend and proposed a 100% stock dividend. The 75 cent quarterly dividend represents an increase of 15 cents over the former 60 cent quarterly dividend. The stock dividend must be approved by stockholders at the annual meeting April 16. The company intends to pay a quarterly dividend of 37½ cents on the increased shares, equivalent to the new 75 cent rate on the shares presently outstanding.

* * *

Common Stockholders of **Connecticut Light & Power Company** have been offered the right to susbcribe to 762,565 shares at $22.50 in the ratio of one new share for each 10 held. The rights expire Feb. 24. The company intends to use the proceeds of approximately $17 million to finance new construction and retire bank loans.

* * *

Newhart Products Incorporated recently completed an additional 2,000 square feet of manufacturing space making a total of 6,500 square feet now in use. Specialists in the production of vacuum formed plastics for displays, merchandisers and industrial products, the company is engaged in the manufacture of the "Tube Mart" tube tester.

* * *

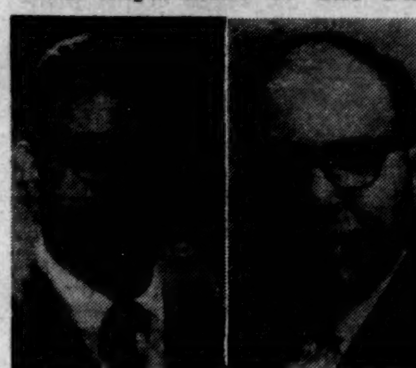
A flying crane helicopter, long believed to be the logical answer to the problem of aerial transport of bulk cargo, is one of the latest research and development projects of the Sikorsky Division of **United Aircraft Corporation.** Primary among the features to be evaluated will be the cabin design and location of the pilot controls. Plans call for a dual control system which will afford the pilot a direct view of the load and landing area while he is flying the aircraft. The S-60 is scheduled for rollout early this year and the first two are to be powered by Pratt and Whitney R-2800 piston engines.

* * *

Barden Corporation — stockholders of record Feb. 18 are being offered rights to subscribe to one additional share of common stock for each six held. Proceeds from the sale of the 102,533 shares will be allocated as follows: $300,000 to reduce bank loans; $450,000 for plant additions; and $500,000 for equipment. The balance will be used for general corporate purposes. The Danbury firm manufactures precision bearings.

Chisolm, Cooke V.-Ps Of First Boston

William A. Chisolm and Carl F. Cooke, formerly Assistant Vice-Presidents in the Government Bond Department of The First



William A. Chisholm Carl F. Cooke

Boston Corporation, 15 Broad Street, New York City, have been elected Vice-Presidents, it is announced.

Mr. Chisolm, a graduate of Princeton, class of 1945, joined The First Boston Corporation in September, 1947 and has been associated with the company in its New York office since that time. He is a trustee of Princeton in Asia, Inc. and a director of the Francis Asbury Palmer Fund.

Mr. Cooke joined the Philadelphia office of the corporation in January, 1943 and moved to New York in 1958. He was previously with E. H. Rollins & Sons.

Phila. Inv. Ass'n to Hear at Meeting

PHILADELPHIA, Pa. — W. Richard Gordon, Treasurer of the University of Pennsylvania, will be guest speaker at a luncheon meeting of the Investment Association of Philadelphia to be held Friday, Feb. 20, at Sherry's Restaurant, 1425 Chestnut Street. Mr. Gordon's subject will be: "Outlook for the Economy."

Herbert S. Bengtson of Schmidt, Roberts & Parke is in charge of arrangements.

Lloyd Arnold Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Steve Glass, Helen A. Kilgore, Nathan Manuels and Hubert R. O'Neil, Jr. have become associated with Lloyd Arnold & Company, 364 North Camden Drive.

Prospects of the Dollar— Viewed From London

By PAUL EINZIG

Reflecting upon past 25 years of international dollar stability, a top British monetary expert refers to diminutive dangers said to signal possible dollar devaluation. Though Dr. Einzig agrees our gold reserves are sufficient even if all foreign owned dollars were withdrawn or converted, he believes we should, however, take a grave view of gold market developments in Canada and in London. He recommends we be a "little less generous with dollar aid" and, instead of conventional disinflationary remedies, a supreme effort be made in persuading labor to exercise self-restraint in wage demands. Avers "the fate of dollar lies in hands of American industrial worker."

LONDON, Eng. — The present generation has grown accustomed to regard the dollar as an absolutely safe and secure currency. Quarter of a century has passed since the last dollar crisis, and during that long period the international stability of the dollar has been one of the few fixed points in an unstable world. From time to time during the postwar period suggestions were canvassed advocating a deliberate increase in the dollar price of gold as a matter of expediency; but even the most extreme advocates of such measure would not have dared to predict that circumstances might arise in which the United States Government would feel forced to resort to it.

Dr. Paul Einzig

During the last few months, however, the possibility of an involuntary devaluation of the dollar has come to be envisaged in many quarters, both in the United States and abroad. The rising trend of American wages in spite of the unexpected extent of duration of the business recession is mainly responsible for this pessimism. It became acute as a result of the Democratic victory at the Congressional election in November, 1958, foreshadowing the possibility of a Democratic Administration in 1960. For one thing, it is assumed that the Democrats would not be so firmly opposed to a devaluation as the Republicans. Moreover, it is assumed that they would resort to "New Deal" policies resulting in inflation, in which case they might find it difficult to defend the dollar even if they wished to do so.

Notwithstanding the substantial outflow of gold during 1958, the size of the American gold reserve is still very reassuring. Admittedly, with the development of doubts, foreign Governments and central banks may convert their holdings of dollars into gold, and private foreign holders of dollars may remove their funds from the United States in anticipation of a devaluation under a Democratic Administration. But even if all foreign-owned dollars were withdrawn or converted, a fairly substantial gold reserve would remain.

The only people who could force the hand of the Administration to devalue against its wishes would be the Americans themselves. The extent of the gold drain due to foreign withdrawals has its natural limits, but there are virtually no limits to a drain caused by an American flight from the national currency. The extent of such a flight has been very moderate so far. There is some American demand in London for South African gold mining shares. Such forward buying of gold as occurred during the last few weeks in the London bullion market was mostly on American account. And it seems that the newly established gold market in Montreal caters mostly for American buyers. But the sum total of these operations need not give cause for uneasiness.

Even so, these danger signals, diminutive as they are, should not be ignored. After a victory of the Democrats, and perhaps even an anticipation of such a victory, the present trickle might easily grow into a flood.

Takes Grave View of Canadian Gold Market

It is indeed very fortunate that the United States Government has always resisted pressure in favor of making the dollar notes convertible into coins and in favor of allowing American residents to acquire and hold gold bars in the United States. With such hoarding facilities in existence, the sky would be the potential limit of an American flight from the dollar. As it is, the effect of any distrust in the dollar on the attitude of the American public is liable to be largely offset by distrust in other currencies or in the security of gold holdings in foreign countries. From this point of view the development of a gold market in Canada constitutes a source of grave danger, because many Americans who would hesitate to hold gold in Europe or in Latin America would willingly hold gold in Canada. For this reason the indifference with which the development of the Montreal gold market is viewed in Washington may be open to criticism.

Likewise the re-emergence of a forward market in gold in London after its absence for 20 years must be regarded as a source of potential difficulties for the United States in case of a flight from the dollar. As the relations of the United States authorities with the British and Canadian authorities could hardly be friendlier, it seems probable that a request from Washington to cooperate in an effort to discourage the flight from the dollar would not be ignored in London and Ottawa. At present there is no need for such intervention, and it is to be hoped that there never will be. But it is well to remember that in 1935 the British authorities placed a ban on forward dealing in gold in response to requests from France and other "gold bloc" countries which were finding the operations of their nationals in the London forward gold market a source of embarrassment.

The International Monetary Fund has been so far just another channel for dollar aid to European and other soft-currency countries. But surely that institution could operate a two-way traffic if necessary. It could reinforce the defenses of the dollar in face of speculative exaggeration of an adverse pressure.

Offers Advice

The remedy lies overwhelmingly in the hands of the American authorities and especially the American people. The former would be well advised to be a little less generous with dollar aid at a time when the possibility that before very long the dollar might itself need support cannot be ruled out altogether.

Above all, a policy of resistance to domestic inflation would go a very long way toward silencing the prophets of dollar's doom. But any firm disinflationary policies would hinder expansion of production at a time when this is vital from the point of view of keeping pace with expansion in the Soviet Union. Moreover, credit restrictions are liable to prevent business recovery and would strengthen political pressure in favor of "New Deal" inflation. What is needed, therefore, is not so much another dose of conventional disinflationary remedies as a supreme effort to persuade the American workers to exercise self-restraint in their wage claims.

In this respect the British example is not reassuring. Exhortations have failed to produce any noteworthy results. But this is because sterling no longer seems to be in danger of a devaluation. The fears of a dollar devaluation should give rise to a better spirit of cooperation in the United States in the interests of its defense. In the long run the fate of the dollar lies in the hands of the American industrial worker. If he could be persuaded to restrain his wage demands without being forced to do so by credit squeeze and increasing unemployment, the American authorities would have no difficulty in restoring international confidence in the dollar.

Housing Legislation Prospects In Savings and Mortgage Fields

By BEN C. CORLETT*

Senior Vice-President, American Bankers Association, Washington, D. C.

Bankers' Washington representative reviews highlights of pending bills of concern to bankers and predicts accelerated and broadened Federal intervention in the housing market. Mr. Corlett hopes that proposed increase in F. S. & L. Assns.' insurance coverage is not prejudicial to banks, favors extending Voluntary Home Mortgage Credit Program, and believes an increase in FHA loans might divert such loans from financing lower cost homes. He appeals to bankers to take a personal interest in the work of Congress.

Predicting the course of a session of the United States Congress is at best a speculative game, and one that we can profitably forego here today. However, enough has been said and done during the weeks since the new Congress convened to indicate that this is going to be an unusually active year in terms of Federal housing legislation. It seems to me that at this point we can reasonably make certain broad assumptions.

Ben C. Corlett

The Senate and House will approve significant housing legislation, probably early in the session.

Its net effect will be to accelerate and broaden the Federal Government's activities in the housing market.

Advocates of free enterprise principles face an uphill fight in endeavoring to give practical effect to those principles.

If this outlook seems pessimistic, be assured it is also realistic. Our objectives, as bankers and as representatives of banking, can best be served if we see problems as they are—not as we might wish them to be.

In evaluating the approach of the Congress toward housing this year, three factors merit special attention. First, housing legislation commands the personal interest of every member. It isn't simply a question of the Congressman desiring to stay in office; shelter is a basic human need involving problems and aspirations common to all people, and the conscientious member of Congress must concern himself with it.

Secondly, the previous Congress failed to enact a general housing bill. So-called emergency legislation was passed, but an omnibus bill dealing with all of the various federal programs died in the House. This is used as an additional argument for major action in the present session.

Thirdly, the elections last November appear to have resulted in a sizable net gain for the group in Congress which has advocated an expanding Federal Government role in business. This group, incidentally, is comprised of members of both political parties.

The battle-cry on Capitol Hill a year ago was "recession." Government stimulants had to be provided, we were told, to arrest the decline in home building and give the entire economy a shot in the arm. It was largely on these grounds that an "emergency" program authorizing more than $1½ billion additional funds for "Fannie Mae" special assistance programs, a lower down-payment under the FHA program, and a two-year extension of the Veterans Administration direct loan and loan guaranty programs was rushed through Congress before the Easter recess.

Last year's general housing bill, considered later in the session, would have liberalized a number of Federal Government housing activities including FHA mortgage insurance programs, slum clearance and urban renewal, college housing, and veterans' housing. As amended by the House Banking and Currency Committee, it also would have established a new mortgage guaranty program for conventional loans under the jurisdiction of the Federal Home Loan Bank Board. The inclusion of this proposal, which was strongly opposed by the American Bankers Association and others, contributed to the defeat of the bill in the House.

However, as many will recall, the effect of the new mortgage guaranty proposal was subsequently realized to a great degree when the Federal Home Loan Bank Board issued a regulation permitting Federal Home Loan Bank members to make mortgage loans up to 90% of appraised value on single family residences. This administrative action came after Congress adjourned.

Now let's turn to the current scene.

Turns to Current Scene

The Senate Banking and Currency Committee opened public hearings last Thursday on a number of housing bills. The hearings are expected to conclude this week, and Senator Sparkman of Alabama, Chairman of the Housing Subcommittee, has expressed the hope that the Committee will promptly agree on a single bill and report it to the Senate for action.

One of the Senate bills, S 57, introduced by Senator Sparkman, contains substantially the same provisions as the bill passed by the Senate last year. According to Senator Sparkman, it would "rejuvenate the nation's housing programs" and should be considered under the heading of unfinished business of the 85th Congress.

S. 57 would provide, among other things;

Additional authorized funds of $8 billion for the FHA mortgage program—$4 billion for the balance of the present fiscal year and $4 billion for the fiscal year beginning July 1, 1959.

Additional funds for capital grant authorizations under the urban renewal program over a six-year period.

Increases in the maximum loan amounts which the FHA is permitted to insure.

Extension of the Voluntary Home Mortgage Credit Program; extension of the par purchase requirement for "Fannie Mae" special assistance functions.

A sum of $300 million for VA direct home loans to veterans, to be made available immediately upon enactment of the bill.

Although these provisions add up to a rather large order, they by no means represent the ultimate in proposals pending before the Congress. Senator Clark of Pennsylvania has introduced three bills which he contends are needed to make up for "inadequacies" of the Sparkman Bill. They would provide for a 10-year urban renewal program costing $6 billion, substantial broadening of the college housing loan program, and authority for FHA to step in and prevent foreclosure where payments are defaulted in "worthy hardship cases."

This latter provision also appears in the omnibus housing bill introduced in the House of Representatives by Chairman Rains of the Banking and Currency Subcommittee on Housing. Congressman Rains' Bill, H. R. 2357, outdistances the Sparkman measure in a number of other provisions of particular significance to banking. One would authorize "Fannie Mae" to make short-term loans to private builders or mortgage companies on the security of pledged FHA or VA mortgages. Another would provide that regular residential loans made by national banks under the FHA program are not to be counted in applying existing limitations on the total amount of real estate loans which a national bank may make. Still another would broaden the authority of Federal savings and loan associations to purchase participating interest in first mortgages on one-to-four-family homes.

F. S. & L. Assn. Insurance

H. R. 2357 also would increase FSLIC insurance coverage of accounts in Federal savings and loan associations. The increases would be as follows: for an account held in a fiduciary capacity, from $10,000 per trust estate to $20,000 per beneficiary; for an account of an individual member or investor (notwithstanding community property laws) from $10,000 to $20,000 for an account in one name and $40,000 for a joint account of husband and wife, with a maximum of $60,000 for the aggregate individual and joint accounts of a husband and wife.

This proposal, obviously, is of primary concern to the banking system. We feel that the members of the House Banking and Currency Committee will insist upon examining it very carefully to determine whether it is based upon need or upon a desire for competitive advantage. In any event, we shall take advantage of every opportunity to see that the issue is resolved in a way that is not prejudicial to our banks and the millions of citizens with deposits in banks.

The House Committee has scheduled housing hearings to start Jan. 28. As in the Senate, the accent is on speed. A housing bill probably will be the first major item to clear the Committee.

The Administration's housing recommendations were introduced in the Senate and House last Wednesday, the day before hearings opened in the Senate. The provisions are somewhat more restrained and less costly than those previously mentioned. Included, for example, are a six-year urban renewal authorization costing substantially less than the comparable proposal in S. 57, and a limited expansion of the college housing loan program. There is also a provision which would give the FHA Title I home improvement loan program permanent status, as against the one-year extension provided in the Sparkman Bill.

Earlier in the session, Republican members of the Senate and House introduced legislation providing for increased authorizations for three programs of the Housing and Home Finance Agency. This proposal, which is understood to embody the Administration's program for interim action while the Congress considers all of the Agency's operations, would increase the FHA general insurance authorization by $6 billion, make available an additional $100 million to the Housing Administrator for capital grant authority under the urban renewal program, and increase the college housing loan authorization by $200 million.

A similar request for emergency funds was granted by the Congress last year, with the result that the general housing bill which followed was shorn of some of its urgency. Apparently, majority leaders in the Congress are not going to run the same course. This time, they are by-passing the resolution in favor of a catch-all bill.

The A. B. A. Approach

From the foregoing, you can derive a fair idea of the way the tide of housing legislation is running in Washington. Now what about the approach of our own Association? Perhaps I can best answer the question by summarizing our testimony presented Jan. 26 before the Senate Banking and Currency Committee.

Bankers desire to do their full share in providing funds to finance the nation's housing needs. At the same time, banks have an obligation to the people who have entrusted savings to them to follow sound mortgage credit principles and to resist inflationary pressures on the housing economy.

The progressive liberalization of terms of FHA insured mortgages during a period of strong inflationary currents since World War II has contributed to rising real estate prices. Presumably, the proposal in S. 57 to further increase maximum loan limits for most of the FHA mortgage insurance programs is prompted by increased costs of land and residential construction. However, the effect of making larger loans eligible for FHA insurance might well be to divert such loans from the financing of lower-cost homes. This would seem to defeat the objective of the FHA program which, particularly in recent years, has been to help provide home financing for people of moderate means.

By the same token, proposed changes in the slum clearance and urban renewal program must be evaluated not only in terms of their potential contribution to improved community living conditions but also in the light of overall fiscal policy and their effect upon the economy. The Administration's request for an additional Federal capital grant authorization of $100 million and for eventual matching contributions by local governments, in our judgment, contemplates a needed and justifiable expansion of this program.

The Voluntary Home Mortgage Credit Program should be extended, preferably for two years.

We are recommending against extension of the requirement that "Fannie Mae" purchase mortgages at par under its special assistance program. This requirement constitutes an indirect subsidy to the special groups receiving such assistance, at the expense of all taxpayers, and in our view it should be permitted to expire.

We also question seriously the need and wisdom of giving the F.H.A. broad new authority to acquire insured mortgages for the purpose of avoiding foreclosure. This scheme was first advanced last year as a counter-recession measure at a time when some people anticipated an epidemic of defaults in mortgage payments. The proposed authority, in our opinion, is inconsistent with the basic character and function of the F.H.A. as a mutual insurance system.

It is significant, in my opinion, that the various segments of private industry occupy differing and, in some instances, contrary positions in this field of Federal legislation. Indeed, some of the current proposals which we believe are unnecessary and potentially harmful have been vigorously advocated by private industry groups. The fact that these same groups subscribe outwardly to the principles of free enterprise does not diminish the supporting role they are playing in the trend toward ever greater power in the Federal Government.

I have reviewed only the highlights of current activity on one very busy legislative front. It is a front in which banking, and particularly the banks represented here, have a tremendous interest. If my report serves to inform you and to encourage you to keep informed as the session of Congress progresses, it will have achieved a good purpose.

Banker Participation

I believe that a positive, personal interest by bankers throughout the country is a prerequisite to constructive results in the Congress. Right or wrong—whether we like it or not—Federal legislation directly affects both the scope and the quality of banking services. The Congress will continue to make important decisions in this field. Certainly, we have a responsibility to present as effectively as possible the experiences and beliefs which we feel should go into those decisions.

*An address by Mr. Corlett before the Regional Savings and Mortgage Conference sponsored by the American Bankers Association, Cincinnati, Ohio, Jan. 27, 1959.

Charles S. Sargent, Wall Street Partner, Dies in His 78th Year

Charles S. Sargent, partner in Hornblower & Weeks, passed away last Friday at the age of 78, after a brief illness.

Mr. Sargent was born in Brookline, Mass., graduated from Harvard in 1902 and then became associated with Kidder, Peabody & Co. of Boston and New York, G. M. P. Murphy & Co., New York and Hornblower & Weeks of Boston and New York. He was the son of Mary Robeson Sargent and Charles Sprague Sargent, Professor of Arboriculture at Harvard, and director of the Arnold Arboretum.

Mr. Sargent was distinctly the New England type of banker, possessing an amiable and kindly nature. He enjoyed the confidence of a host of friends, in and out of Wall Street, who respected him for his quiet restraint, friendly, modest and unassuming manner typical of the old school of New England bankers.

Besides his partnerships in three Wall Street firms, Mr. Sargent was also a director of the American Express Co., the American Machine and Metals Co., United Merchants and Manufacturers, Inc., the Associated Dry Goods Corp., the Metropolitan Fire Reassurance Co. and the National Aviation Corp.

Joins J. A. Hogle Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Henry L. Walton has become associated with J. A. Hogle & Co., 1030 Sixth Avenue. He was formerly with American Programming Corp.

Now With Denault Co.

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif. — Arch L. Taylor has become associated with Denault & Co. of San Francisco. He was formerly local manager for Hannaford & Talbot for many years.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—David J. Ware has become connected with Merrill Lynch, Pierce, Fenner & Smith Incorporated, 301 Montgomery Street.

Rejoins Jay Roberts

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Edward F. Alexik has rejoined the staff of Jay C. Roberts & Co., Third National Bank Building. He has recently been with B. C. Morton & Co.

Optimism About U. S. Trade Outlook Voiced by Top Commerce Analyst

Optimism about U. S. foreign trade prospects is voiced by international economics analyst. Mr. Blackwell opines recent dip in world trade has probably passed its low point and that "moderately expansive tendencies" will soon be apparent again, both in world and U. S. A. trade. The Government official sees no dollar shortage for most European countries and, in pointing out our exports will depend primarily on trends and income in Europe, expresses confidence that with hard work we will share in upswing in foreign markets paralleling renewed European economic expansion during 1959.

Carl P. Blackwell a Director of the international economic analysis division, Bureau of Foreign Commerce, Department of Commerce, presented to the World Trade Club a generally rather optimistic view of the outlook for U. S. foreign trade in 1959.


Carl P. Blackwell

Speaking as an individual student of trade trends and prospects, rather than as an official spokesman for his Department, Mr. Blackwell expressed the opinion that the recent dip in world trade — the first significant setback since 1952-53—has probably passed its low point. He thinks that moderately expansive tendencies will soon be apparent again both in world trade as a whole and in U. S. import and export trends.

By way of background for his assessment of prospects in the year ahead, Mr. Blackwell reviewed the course of world trade during the past several years. He described in broad outline the pattern of the boom which reached its peak, reinforced by the effects of the Suez crisis, in the first half of 1957, and traced the largely cyclical downturn in international commerce which followed in late 1957 and early 1958.

The recent contractive influences, he believes, were largely expended by about midyear, and trade levels since then, on the whole, have been level or slightly better. The speaker expressed his opinion that mild and initially scattered recovery trends would characterize global trade patterns during the first half of 1959 and that somewhat stronger and more pervasive gains would probably emerge after the middle of next year.

With specific reference to U. S. exports, Mr. Blackwell pointed out that routine statistical comparisons have tended throughout 1958 to give exaggerated impressions of the magnitude of the slump in our foreign sales. The figures now available for the first ten months of 1958 show a decline in commercial exports of some 17% from the total for the corresponding months of 1957. Much of this decline, however, merely reflects the disappearance of certain abnormal and temporary factors—such as the Suez crisis, cotton restocking abroad, and a massive bulge in Japanese imports —which had bolstered the early 1957 peak. Proper perspective calls for discounting these special elements before computing our export losses in 1958.

It is true, of course, that a considerable part of the shrinkage in our exports was of a more fundamental nature. But this was not nearly so serious as bald comparisons with the 1957 peak tended to suggest. Moreover, the recent downtrend was limited to an interval from about mid-1957 to early 1958, and the export rate has been reasonably steady, apart from seasonal fluctuations since then.

The sharpest declines from 1957 to 1958 appeared in shipments to Japan and Western Europe, where the principal effects of special and temporary factors were superimposed upon reductions in import demands resulting from a tapering-off of growth in industrial production. The latter effects were concentrated, particularly with respect to the European market, upon industrial materials for which the U. S. is a somewhat marginal supplier.

Factors of an essentially cyclical character were largely responsible for the slump in U. S. exports to Canada, where industrial production and capital investment receded, and for decreases in shipments to Latin America and other under-developed areas whose imports had risen to unsustainable levels in 1957. In many countries of these areas, 1957 import rates were maintained only through depletions of foreign exchange reserves which could not be continued in 1958. Moreover, in a number of such countries, their international financial difficulties were compounded by reductions of export earnings during the past year.

Finds Data Misinterpreted

Mr. Blackwell noted that 1958 statistics on U. S. imports, like those of U. S. exports, have been widely misinterpreted. Some observers have concluded, on the basis of the small percentage decline in total U. S. imports during the period of our business recession, that the impact of this recession upon the rest of the world was minimal.

While it is true that the import totals have held very close to the record levels of 1957, the reason for this has been the strong growth of U. S. demand for certain consumer goods from abroad — most notably automobiles, meats and meat animals, and a few other foodstuffs. Increases in these items have largely offset some fairly substantial declines, induced by the drop in U. S. industrial production and accompanying liquidations of U. S. business inventories, in the value of our imports of raw and semi-processed materials for use in American industry, and particularly in the durable goods industries.

Since the beneficiaries abroad of our increased imports of consumer goods have not been the same countries, generally speaking, as those adversely affected by reductions in our imports of industrial supplies and materials, the impact of our recession upon foreign suppliers of such materials has by no means been neutralized. Moreover, this impact was reinforced by a somewhat similar downturn in the import demands of European countries whose industrial production trends flattened out or dipped slightly during the past year, and whose business firms also apparently followed more conservative inventory policies during 1958. The effects of these developments upon exchange earnings of many countries producing primary products for export were ultimately felt by the industrial countries of Europe and North America, of course, through reduced sales of their manufactured goods to the less industrialized areas.

Sees Recovery

At the present time, however, Mr. Blackwell thinks that this cycle of contraction in world trade has run its course. Domestic industrial recovery is very clearly under way in the United States, and continued expansion in U. S. output during 1959 can safely be assumed. An associated increase in U. S. imports of industrial materials can be expected to follow, though perhaps with a few months delay. This will undoubtedly contribute to recovery—though again with some time lag — of import demand in the countries whose earnings are thus bolstered.

Moreover, it now seems unlikely that the hesitation in European industrial production which characterized 1958 will deepen into a significant downturn. The latest reports suggest that most of the major European economies will soon move beyond the recent plateau to a new phase of moderate growth. If so, this will not only enhance the opportunities of U. S. exporters for sales directly to Europe, but will also contribute eventually to improved market conditions in many parts of Latin America, Asia, and Africa.

In Europe itself, dollar exchange problems are not now a limiting factor for most of the countries, and many types of U. S. exports to that area will depend primarily on trends of production and income there next year. Renewed European economic expansion should bring early gains in U. S. sales of various industrial supplies and materials.

Generally speaking, imports into Latin American, Asian, and African markets will probably be among the last components of world trade to emerge from the recent slump, and significant upswings in U. S. exports to these areas may well be postponed until the latter half of 1959. For a number of the countries involved, time will be required for restoration of international liquidity positions, even after a pick-up in their export earnings, before they can again step up their imports.

Upturn in Exports to Canada

An upturn of moderate proportions in U. S. exports to Canada seems probable at an early date. The Canadian economy is more immediately linked with that of the United States than are the economies of most other countries, and the business recovery here should assist materially in the promotion of renewed economic growth in Canada. While restoration of the boom conditions of late 1956 and early 1957 in the Canadian market is by no means in sight, moderate recovery of U. S. sales there from their depressed 1958 level may be awaited with some confidence.

Recapitulating, Mr. Blackwell summarized his principal reasons for expecting higher exports in 1959 than in 1958 as follows:

Most of the countries whose purchases here are geared primarily to the levels and trends of their internal economies, without current sensitivity to dollar exchange availabilities, appear likely to achieve renewed or continued economic expansion during the year ahead, and thus to provide more buoyant markets for U. S. goods than during the past year. At the same time, many of the countries whose international financial positions still impose close limitations upon their purchases seem to have good prospects for larger earnings of foreign exchange during 1959. Both considerations point toward higher U. S. exports, provided that our competitive position in foreign markets does not deteriorate substantially.

It has been widely suggested that a basic deterioration in the ability of U. S. goods to compete with those of other major manufacturing countries has set in. Some credence is lent to this view by the much sharper dip in our exports than in European exports since early 1957, and by heavy accumulations of gold and dollar assets by foreign countries in 1958.

The speaker expressed doubt, however, that any general deterioration of the U. S. competitive position is occurring on a large scale. While not discounting the possibility of some slippage, he believes that the degree to which it may have occurred to date has been widely exaggerated.

Explains Sharp Fall

The sharper fall in U. S. exports than in European or Japanese exports from 1957 to 1958 was in considerable part simply a reflection of the fact that the U. S. had supplied the lion's share of the temporary increases in 1957. The competitive record looks much better if a more realistic pre-1957 standard of reference is used.

It is true that total U. S. sales abroad, even by comparison with those of 1956, have been somewhat less buoyant than exports of the leading European countries and of Japan. But this is partly attributable to the especially heavy impact of the Canadian recession upon the level of U. S. exports in 1958. The better maintenance of intra-European trade than of European imports of industrial materials from overseas, including the United States, was also a factor.

In the Latin American area, the Far East, the Near East, and Africa changes in U. S. sales from 1956 to 1958 closely paralleled those in sales by the principal European countries and Japan, taken as a group. Accordingly, our shares in the totals exported to each of the less developed areas by all of the leading industrial countries combined showed only fractional changes.

While these broad statistical comparisons are of limited significance in pinpointing competitive trends, they do not support the notion that there has been a wholesale deterioration of the U. S. competitive position in "third markets." By and large, it would appear that whatever relative losses may have been suffered in particular product lines were almost fully offset by relative gains in other products.

In the absence of convincing evidence of pervasive adverse changes in the competitiveness of U. S. goods, Mr. Blackwell, expressed his personal confidence that American traders—though they may have to work harder to do so—will get a reasonably satisfactory share of any upswing in foreign markets during the year ahead.

Named Director

G. H. Walker, Jr., Senior Managing partner of the investment banking firm of G. H. Walker & Co., members of the New York Stock Exchange, has been elected a director of The Ecuadorian Corporation Limited, Latin American producer of beer, ice and cement. William H. Donaldson, also of G. H. Walker & Co., has been named an alternate director of Ecuadorian Corp.


George H. Walker, Jr.

Joins Byllesby Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Arthur S. Bowes has joined the staff of H. M. Byllesby & Company, Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

William E. Robinson and J. Huber Wetenhall have been elected directors of **Manufacturers Trust Company, New York,** it was announced on Feb. 17 by Horace C. Flanigan, Chairman of the Board.

* * *

Carl L. Miltz and George D. Templeton have been appointed Assistant Vice-Presidents of the **United States Trust Company of New York,** it is announced by Hoyt Ammidon, President.

Mr. Miltz joined the bank in 1934 and was appointed Assistant Secretary in 1957. In his new position he will continue working in the Banking Division.

Mr. Templeton joined the company in 1939, and was named Assistant Secretary in 1956. He will continue as head of the Securities Department.

* * *

The promotion of five staff members of **The County Trust Company, White Plains, N. Y.,** to the rank of Assistant Treasurer was announced today by Dr. Joseph E. Hughes, Chairman of the Bank's Board of Directors.

Those advanced were William E. Eade, Manager of the Tabulating Department, White Plains; Anthony J. Matranga, Operations Division, White Plains; Elbert C. Mead, Jr., Chief Accountant, White Plains; Thomas I. Muldoon, Manager of the Cost Analysis Department, White Plains; and Chester H. Seifert, 4 South Division Street, Peekskill office.

* * *

Industrial National Bank of Providence, R. I. increased its common capital stock from $11,500,000 to $12,000,000 by a stock dividend, effective Feb. 3, (Number of shares outstanding—1,200 shares, par value $10).

* * *

George C. Ivins, President of the **Seabright National Bank, N. J., died Feb. 10.** He was 82 years of age.

* * *

The election of Fred J. Brotherton and John D. Van Epps Jr. to the board of directors of the **Palisades Trust Company, Englewood, N. J.,** was announced Feb. 16 by C. W. Floyd Coffin, Chairman.

* * *

Officials of the **West Hudson National Bank of Harrison, N. J.,** and the **First National Bank of Jersey City, N. J.,** announced Feb. 17 that preliminary agreement had been reached by the directors of each institution as to a plan of consolidation or merger.

Under the plan, stockholders of West Hudson National Bank would receive one share of First National Bank of Jersey City stock for each nine shares held. The plan is subject to the approval of supervisory authorities and shareholders of both banks.

* * *

The National Bank of New Jersey, New Brunswick, N. J., increased its common capital stock from $1,050,000 to $1,155,000 by a stock dividend, effective Feb. 3 (number of shares outstanding — 115,500 shares, par value $10).

* * *

William C. Robinson was elected director emeritus of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** at the regular meeting of the bank's Board of Directors.

Mr. Robinson has served continuously as director of Mellon Bank and its predecessor banks since 1922, when he was elected a director of Mellon National Bank and **The Union Trust Company of Pittsburgh.** He became a director of Mellon National Bank and Trust Company upon the consolidation of the two banks in 1946.

* * *

First Pennsylvania Banking & Trust Co., Philadelphia, Pa., elected Abraham L. Freedman and Henry W. Gadsden directors.

* * *

Thomas G. Wolstoncroft and Lawrence Dilworth have been appointed investment officers of **Fidelity Trust Company, Pittsburgh, Pa.,** according to John A. Byerly, President. Their offices are located in the bank's Trust Department.

Mr. Wolstoncroft was formerly an Assistant Secretary at Fidelity, the same position he had held at the **Potter Bank and Trust Co., Pittsburgh, Pa.,** where he had served for 34 years prior to that bank's merger with Fidelity last fall.

* * *

The Second National Bank of Washington, Washington, D. C., changed its title to **The First National Bank of Washington,** effective Feb. 2.

* * *

Merger certificate was issued approving and making effective, as of the close of business Jan. 30, the merger of **Savings Bank and Trust Company, Richmond, Va.,** with common stock of $400,000, into **First and Merchants National Bank of Richmond, Richmond, Va.,** with common stock of $5,400,000. The merger was effected under the charter and title of First and Merchants National Bank of Richmond.

* * *

The board of directors of **National Bank of Commerce, Norfolk, Va.,** announces the election of David L. Strain as Vice-President and John L. Gibson, II, as Assistant Vice-President.

* * *

Merger certificate was issued approving and making effective, as of the close of business Feb. 5, the merger of **Bank of Greene, Incorporated, Stanardsville, Va.,** with common stock of $60,000, into **The Peoples National Bank of Charlottesville, Charlottesville, Va.,** with common stock of $1,778,960. The merger was effected under the charter and title of The Peoples National Bank of Charlottesville.

* * *

The common capital stock of **The National Bank of Toledo, Ohio,** was increased from $2,500,000 to $3,000,000 by a stock dividend, effective Feb. 5 (number of shares outstanding — 120,000 shares, par value $25).

* * *

First National Bank of Warsaw, Warsaw, Ind., with common stock of $225,000; and **Citizens State Bank, Milford, Ind.,** with common stock of $35,000 merged, effective as of the close of business Jan. 31. The consolidation was effected under the charter and title of First National Bank of Warsaw.

* * *

Marquette National Bank, Chicago, Ill., increased its common capital stock from $350,000 to $700,000 by a stock dividend, effective Feb. 3 (number of shares outstanding — 35,000 shares, par value $20).

* * *

By a stock dividend, the common capital stock of **First National Bank in Grand Forks, N. Dak.,** was increased from $600,000 to $750,000, effective Feb. 5 (number of shares outstanding — 75,000 shares, par value $10).

* * *

The Union Stock Yards National Bank, Union Stock Yards, Kan., changed its title to **Stockyards National Bank,** effective Feb. 2.

* * *

The First National Bank and Trust Company of Tulsa, Okla., increased its common capital stock from $6,000,000 to $6,300,000 by a stock dividend and from $6,300,000 to $7,300,000 by the sale of new stock, effective Jan. 30 (number of shares outstanding — 730,000 shares, par value $10).

* * *

The common capital stock of **The City National Bank and Trust Company of Kansas City, Mo.,** was increased from $5,000,000 to $10,000,000 by a stock dividend, effective Feb. 6 (number of shares outstanding — 400,000 shares, par value $25).

* * *

The common capital stock of **The Harpeth National Bank of Franklin, Tenn.,** was increased from $150,000 to $200,000 by a stock dividend, and from $200,000 to $250,000 by the sale of new stock, effective Feb. 6 (number of shares outstanding — 5,000 shares, par value $50).

* * *

The National Bank of Lumberton, Lumberton, N. C., changed its title to **Southern National Bank of Lumberton,** effective Feb. 3, and the common capital stock was increased from $300,000 to $400,000 by sale of new stock, effective Feb. 3 (number of shares outstanding—40,000 shares, par value $10).

* * *

The Liberty National Bank & Trust Company of Savannah, Ga., increased its common capital stock from $500,000 to $600,000 by the sale of new stock, effective Feb. 3, 1959 (number of shares outstanding — 60,000 shares, par value $10).

* * *

The common capital stock of **The Barnett National Bank of Jacksonville, Fla.,** was increased from $3,500,000 to $4,000,000 by a stock dividend, effective Feb. 2 (number of shares outstanding — 200,000 shares, par value $20).

* * *

The First Capitol State Bank, West Columbia, Tex., has changed its title to **First Capitol Bank.**

* * *

The First National Bank of Bay City, Tex., increased its common capital stock from $300,000 to $500,000 by a stock dividend, effective Feb. 3 (number of shares outstanding — 5,000 shares, par value $100).

* * *

By the sale of new stock, the common capital stock of **Pacific National Bank of San Francisco, Calif.,** was increased from $4,470,660 to $5,960,880, effective Feb. 4 (number of shares outstanding — 298,044 shares, par value $20).

* * *

The common capital stock of the **Peoples National Bank of Washington in Seattle, Wash.,** was increased from $4,000,000 to $5,000,000 by a stock dividend, effective Feb. 6 (number of shares outstanding — 250,000 shares, par value $20).

* * *

The Pacific National Bank of Seattle, Wash., increased its common capital stock from $5,000,000 to $5,500,000 by a stock dividend, effective Feb. 2 (number of shares outstanding — 550,000 shares, par value $10).

2 With Leo MacLaughlin

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Lawrence H. Gleason and Charles K. Godfrey have become associated with Leo G. MacLaughlin Securities Company, 65 South Euclid Ave. Mr. Godfrey was formerly with Waldron & Co., Inc.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

The shift from loans and discounts to investments among the leading New York City banks during 1958 is brought out clearly in the accompanying schedule:

Breakdown of Sources of Gross Income

	Loan —Interest—		Interest and Dividends from —Securities—		Fees, Commissions and Miscellaneous	
	1957	1958	1957	1958	1957	1958
Bankers Trust	64%	59%	11%	15%	25%	26%
Bank of New York	57	53	13	16	30	31
Chase Manhattan	69	64	15	20	16	16
Chemical Corn	67	61	17	23	16	16
Empire Trust	49	49	23	25	28	26
First Nat. City*†	61	59	18	20	21	21
Guaranty Trust	61	59	15	17	24	25
Hanover Bank	69	62	12	17	19	21
Irving Trust	63	60	21	24	16	16
Manufacturers	60	56	23	26	17	18
J. P. Morgan & Co.	60	51	18	23	22	26
New York Trust	64	61	16	20	20	19
U. S. Trust	27	25	16	17	57	58

*Includes affiliate. †Net earnings remitted from overseas branches of First National City included under Fees, Commissions and Miscellaneous.

It will be seen that there are several fair size shifts from loan interest, and some sizable increases in securities interest and dividends. The average decline in the loan interest figures for this group of banks was 6¾% whereas the average increase in the income from investments was 20.2%. This, of course, was a reflection of the effects of the recession, with loan volume declining as a result of the contraction in business activity; and with investment in bonds expanding as loans were paid off.

In addition to the funds made available by loan pay-offs, the banks reported, in all cases in this group, a greater volume of deposits. And, of course, this meant more funds available for bond investments. As we are in a period now in which seasonal factors tend to lessen loan volume, the upward trend in investments could continue until around mid-year, when the seasonal factors are reversed.

The tabulation shows relatively smaller changes in Fees, Commissions and Miscellaneous. At most banks this is a more constant contributor to gross. It consists primarily of trust business, the various elements in corporate and personal trust activities.

The Bank Merger Picture

While formal notifications of special meetings of shareholders of both Guaranty Trust and J. P. Morgan & Co., Inc., have gone out for March 4, announcement was made by officers of both Manufacturers Trust and Bankers Trust that the recently proposed merger of these banks has been called off.

In the case of Morgan-Guaranty the consolidation appears to be going through. In the Manufacturers-Bankers case, however, a joint announcement was issued that studies had been made looking toward a basis for merger, but "after full consideration of the results of these studies it has become clear that it is unlikely that a mutually satisfactory basis can be found. Accordingly it has been decided to discontinue further discussion of the merger project."

This is the second abortive merger proposal involving Manufacturers, the earlier one having been the proposal to consolidate with New York Trust Co.. several years ago.

Into the pro-and-con discussions on bank mergers there have come two moves that, from the banks' viewpoint, will bear watching. Recently the Washington Department of Justice proposed to Congress that the Clayton anti-trust act be amended giving the Department more control over mergers of banks.

Another move was the introduction of a bill in the House, backed by the Treasury Department, that would give the Federal Reserve Board, the Comptroller of Currency, and the Federal Deposit Insurance Corporation supervision over bank mergers. Under this bill the Federal Reserve fould have jurisdiction over banks that were members of that System, but that were state chartered. The Comptroller of the Currency would, of course, oversee mergers in instances where nationally chartered banks were concerned. The F. D. I. C.'s area would be banks insured by that agency, which were not under the supervision of either the Reserve System or the Comptroller's office.

There is some speculation whether, with two Washington departments vying for authority over mergers, anything is to result.

The Case for a Limitation On the Federal Debt

By HARLEY L. LUTZ*
Professor Emeritus of Public Finance, Princeton University
and
Government Finance Consultant, Nat'l Ass'n of Manufacturers

Adherence to an overall, seriously arrived at limitation of the federal debt can: (1) serve as a restriction on federal spending; (2) provide a "powerful source of confidence among investors" as to the stability of the public debt as a long-range investment; (3) become an important influence contributing to tax reduction; and (4) discourage lack of compunction about debt financing. In making these observations, the nationally known public finance expert declares that a federal debt limit is a principle the American people cannot afford to neglect or abandon. Dr. Lutz is not unaware of devices that can be used to bypass a realistic limit, and believes a policy honestly lived-up to can effectively brake the pressure exerted against budget balance and, thus, successfully deal with a major cause of dangerous and damaging inflation.

The policy of an over-all limit or ceiling on the Federal debt is of relatively recent origin. Prior to World War I, Federal borrowing was done by separate debt authorizations, each for a specific amount, and the aggregate of these authorized amounts was, in a sense, a debt limit. There was, however, no limit to the number of debt issues that could be floated other than that set by the need for funds. Section 21 of the Second Liberty Loan Act of Sept. 24, 1917, as amended has become the basic statutory authorization of public debt operations since that time. From 1917 to 1935 this section followed the earlier pattern by setting separate limits for the amounts of Treasury bonds, certificates, notes, and bills, respectively, with the difference that there was an aggregate limit for each class rather than for each issue within the class. In 1935 the separate limits on notes, certificates, and bills were consolidated into one total, and in 1938 the bonds were likewise consolidated into an over-all limit of $30 billion. A grand total of $45 billion was set at this time for all classes of public debt paper.

Harley L. Lutz

It is unnecessary to recount the successive increases in the debt limit, which was raised to $300 billion in an Act of April 3, 1945. This Act brought guaranteed securities held outside the Treasury into the limit for the first time. Such securities had reached a peak of $6.4 billion in 1941, but the total outstanding had declined to $433 million when they were brought under the debt limit umbrella in 1945. The Act of June 26, 1946, reduced the limit to $275 billion, a figure which required a bit of juggling. Prior to that date savings bonds had been included at maturity value. The Secretary of the Treasury demonstrated that the limit must be at least $285 billion on this basis, whereupon it was decided to count savings bonds at current redemption value.

The history of the Federal debt limit does not, on its face, offer a very good case for limitation. It must be noted, however, that since 1946 the government has managed to keep within the $275 billion limit. The temporary increases that have been authorized annually since 1954 were made necessary by the changes in tax payment dates which unbalanced the flow of revenue collections over the fiscal year. This condition is not a defect of debt limitation but rather, a reflection on tax administration policy.

In a serious national emergency requiring sudden large increase of Federal spending, the debt limit would probably give way. The sluggish response of tax yields to tax increases, the belief that the real cost of the war or other emergency can be shifted to the future by compelling the next generation to service and redeem the debt, and the observed fact that patriotic fervor can be raised to a higher pitch when the rigor of sacrifice is assuaged by a government promise to pay the money back at some later date—these and other factors combine to favor borrowing as against paying as we go. Since large loans can hardly be floated without the participation of the commercial banking system, the process of paying the bills by debt financing inflates the cost, which in turn requires more borrowing and thus sets in motion an upward spiral of debt and inflated costs.

In this paper I shall first, present some arguments for a Federal debt limit; second, consider what should constitute a proper definition and application of such a limit; and third, examine some collateral issues.

Reasons for a Federal Debt Limit

First, the debt limit has become a symbol of fiscal integrity. In this regard it is related to another aspect of debt limitation which has deep roots in American fiscal policy, namely, that of time. The separate issues in all classes of Federal debt paper have definite maturity dates, that is, dates when the respective amounts of principal become due and payable. True, no particular large issue can be entirely redeemed in cash at maturity except by the dubious and dangerous expedient of printing an equivalent amount of paper money and forcing the debt holders to accept it. Ordinarily, holders of any large maturing issue do not want cash, but another investment. Refunding often involves serious problems for the Treasury but it provides opportunity for both the Treasury and the debt holders to consider the current and prospective market outlook and to adjust the terms of the refunding issue accordingly. Any owner of maturing debt can, however, get cash for his holding if he wants it. I would link together the over-all quantitative limit and the time or maturity limit as symbolic of our historic intention to control, and where possible, to reduce the debt.

The American concept of definite debt maturities places the obligation to redeem—or to effect an acceptable settlement with the holders through refunding—squarely on the government. This viewpoint, which emphasizes the position of the government as a debtor who faces up to the letter and spirit of his obligation, is in contrast with that view which underlies indefinite maturity, or so-called "perpetual" debt, illustrated by the British Consols. The British Government assumes no obligation or responsibility for redemption of its Consolidated Debt, and its pledge extends only to a commitment to pay a stated amount of interest annually on each £100 unit of such debt as may be outstanding. New borrowing by way of Consols is done by setting a price for each unit that will attract new money without too great disturbances to the market price of outstanding Consols. The investor in Consols is entirely dependent upon the market for getting his money back. Whether he recovers more or less than he paid will depend on the price at the time of sale. The holder of unmatured Federal debt paper who wants to shift his investment must also take his chance in the market, but if he is able to hold his investment to maturity, or to its call date, he can get par for it, either in cash or in a new refunding issue.

Second, an over-all limit on the Federal debt, if taken seriously as it should be, can serve as a restriction on Federal spending. This can, and should, be one of its main purposes. There is general recognition among the people and public officials that inflation is dangerous and damaging to the economy. Budget deficits are a major cause of an inflationary increase in money supply and the existence of a debt limit can be an effective brake to the pressures that would otherwise be exerted against budget balance. I repeat that this would be so only if the debt limit were regarded seriously as a firm matter of fiscal policy.

In this connection I must express by distrust of the doctrine of cyclical budget balance or compensatory spending, which holds that deficits should be deliberately incurred in a recession, to be offset in the ensuing recovery by surpluses that would be applied to pay off the recession-incurred debt. Even this view would apparently hold that the debt limit should apply at the crest of the economic cycle, otherwise there would be no good reason to retire recession debt during the ensuing boom. The basis of my distrust is skepticism with regard to the practical operation of such a program. It is always easy to increase spending enough to incur a deficit during the recession, but not so easy to assure application of the revenue surplus to debt retirement rather than to additional spending during the boom.

It would be difficult to hold any debt limit line if the trend of the budget and the appropriations were upward year after year, unless that limit were so high as to be of little practical concern. As the limit is approached, a deficit resulting from an unanticipated decline in revenue would plunge the government into trouble unless the debt ceiling were raised. A climate of economy is an essential prerequisite to good fiscal management in many ways other than observance of a debt limit, but it is particularly necessary to this end.

In recognition of the fact that for various reasons it is not practicable to maintain a balanced budget through good and bad years, a policy committee of the National Association of Manufacturers approved the following statement:[1]

"When an increase of debt is necessary, it should be held to the minimum that will suffice for this basic purpose. When surpluses are to be built up, they should be accumulated for the purpose of retiring debt because that is a sound policy (i.e., at that time). Sound budget policy should never be sacrificed for the purpose of attempting control of either inflation or deflation through budget manipulation."

A third reason for a Federal debt limit is that the intention of debt control which is thereby expressed would be a powerful source of confidence among investors with regard to the stability of the public debt as a long-range investment. One of the most respected tenets of public debt management is that debt maturities should be lengthened, to reduce the proportion of short-term and floating debt, to avoid the necessity of frequent trips to the money market for refunding, and to diminish the complications arising from refunding at a time when extensive new financing may be required. But the stretch-out of maturities requires the co-operation of investors, to whom the question of the long-range value of Treasury bonds is always important. Wide open freedom to spend and borrow, which would be encouraged by the absence of a debt limitation, presents a definite prospect of continued inflation and continued erosion of the dollar in which at maturity, the bonds are to be redeemed. This prospect would be equally alarming to investors in corporation bonds, long-term mortgages, and all other securities redeemable in a fixed number of dollars at some distant date.

In the refunding operations of July, 1958, there was an abnormal participation by the Federal Reserve System and an unusually large demand for cash.[2] This situation may have reflected the dissatisfaction of investors with the refunding terms, a decision to seek more remunerative investment fields, or investor concern over the outlook for further inflation.

A fourth reason is that a Federal debt limit, consistently and seriously observed, can become an important influence contributing to tax reduction. This would be a corrollary of the restriction on spending which a debt limit could exert. At any time in the last year and a half there might have been a certain degree of risk of a deficit as the immediate result of the first step toward tax rate reform. The need for such action was recognized by the President in the following passage from his message accompanying the budget for 1958, transmitted to the Congress on Jan. 16, 1957:[3]

"*It is my firm belief that tax rates are still too high and that we should look forward to further tax reductions as soon as they can be accomplished within a sound budget policy. Reductions of tax rates would give relief to taxpayers and would also release funds for the activity and investment necessary for sustained economic growth through private initiative.*"

This eminently sound view was not followed up by recommendations for tax rate reduction. At the time the reason did not lie so much in the fear of a deficit, for the 1958 budget projected a surplus of $1.8 billion in 1958 notwithstanding a proposed increase of $2.9 billion in expenditures. Rather, the explanation is to be found in the strong pressures and the built-in commitments for more spending exemplified by the steady rise of the budget totals from 1955 onward. It is now apparent to many, as it was clear to some of us at the time, that a beginning of a sound program of tax rate reform in 1957, together with holding the budget line, would have been much the wiser choice.

A final reason for a debt limit can best be stated in reverse. The absence of a debt limit would tend toward less compunction about debt financing and an even greater readiness to utilize this method than now exists. I have in mind particularly the device of authorization to spend from public debt receipts. Under this arrangement an agency or a program is authorized to finance itself by borrowing, sometimes from the public but more commonly from the Treasury, with the result that the regular constitutional appropriation process is bypassed. The practice is growing to insert such authorizations in the substantive legislation which establishes the program. Thereby money can be obtained from the Treasury without reference to the appropriations committees. Senator W. A. Robertson of Virginia has said that the Senate Committee on Banking and Currency has reported, and the Senate has passed, this year (i.e., the second session of the 85th Congress) bills authorizing more than $5 billion in direct borrowing from the Treasury.[4] Obviously, the Treasury must, in turn, borrow to provide the funds which it advances to the several agencies or programs. It is possible, of course, that an equivalent might have been appropriated if the regular appropriation procedure had been followed, but the chances are that the appropriations committees would not have been as liberal, which may explain the preference for the bypass.

In any event, both the Congressional control over appropriations and the Budget Bureau's control over spending are undermined to the extent that devices which bypass these controls are used. I submit that a wide open policy on the public debt will encourage resort to schemes for evading control.

The Elements of a Debt Limit

The second part of this paper deals with some of the practical matters involved in a proper sort of debt limit. It was noted above that the concept has been modified in certain respects such as the inclusion of guaranteed securities and the changed basis for savings bonds. Two matters of chief importance will be dealt with here.

Effective Date. I assume that the fundamental purpose of the debt limit is to prevent the growth of debt over the years. From this standpoint, the end of the fiscal year should be the check point. It is not necessary to be too exacting on a day-to-day or hour-to-hour basis. There will always be a certain imbalance between the inflow of receipts and the outflow of expenditures which will require adjustment by temporary financing. This normal imbalance has been greatly exaggerated in recent years by the changes in the dates for income tax payment which have concentrated roughly 60% of the receipts in the second

Continued on page 30

*An address by Dr. Lutz before the 51st Annual Conference of Taxation of the National Tax Association, Philadelphia, Pa.

1 *Money and Credit Management*, A Report of the Money and Credit Committee of NAM, October, 1955, p. 26.

2 The total of the securities involved in the exchange operation of July 17, 1958, was $16,264 million. Federal Reserve Banks and government investment acounts held $7,119 million, and commercial banks owned $4,018 million, a total of $11,137 million. The balance, or $5,127 million, was held by nonbank investors. Subscriptions accepted for the exchange offering totalled $13,501 million, leaving $2,763 million to be paid in cash, or 54% of the total nonbank holding. *Treasury Bulletin*, August, 1958, p. A-1.

3 *The Budget of the United States Government for the Fiscal Year 1958*, pp. M8, M9.

4 "Report of the Committee on Banking and Currency to accompany S. 3651," individual views of Mr. Robertson, pp. 22, 23. *Cf.* also, *Federal Expenditure Control and the 1959 Budget*, A report of the Government Economy Committee, NAM, March, 1958, p. 10. The total authorizations to spend from debt receipts enacted for the fiscal year 1958 was $5,673 million. To date the total for 1959 is $749 million, with another $200 million anticipated for later transmission. *Cf. Midyear Review of the 1959 Budget*, p. 14.

The Board of Directors In the Smaller Corporations

By WAYNE G. BROEHL, JR.*
Professor of Business Administration
Dartmouth College, Hanover, N. H.

Dartmouth College Professor refutes the supposition held that directors are unnecessary or are fundamentally different in the smaller corporations. He specifies their key responsibilities, discusses recruitment and how directors should be utilized. The writer stresses the attributes of integrity and independence in the make-up of both "inside" and "outside" directors in pointing out that even large shareholders on a board must be independent in order to judge longer term issues from a corporate point of view. Takes up the subject of director's fee, distinguishes a consultant from a sound board member, and reviews sensitive operating relationships and other matters.

Both the financial and the general press have enthusiastically commented on two recent director appointments, one by Lancaster and Chester Railroad, the other by a Glendale, California, bank. The railroad director turned out to be Gypsy Rose Lee, the bank executive Casey Stengel; perhaps these facts added flavor to the stories. Nevertheless, the public's interest in these two appointments points up the interesting and often inaccurate images of the board of directors that have frequently been built up in the minds of the public and the stockholder—and, which is more serious, often get lodged in the minds of operating managements. So a closer look at this key job of director is clearly in order.

Wayne G. Broehl, Jr.

I shall concentrate largely on those problems unique to the smaller corporation. But the differences between the large and the small company are not as substantial as supposed. In my research I have found a curious and amazing idea among many smaller companies—that the character and use of the board are *fundamentally* different in the smaller company. I have even been told by more than one president that "in our company the board of directors is really not necessary." This is not just short-sighted; it is just not so!

To illustrate why it isn't, we need to go back beyond board practices as such and ask ourselves, "What are the inherent functions of a board?" We could probably get a start toward the answer by pointing out that the board's major responsibilities are to set goals and formulate basic policies, whereas the operating management's are chiefly to implement and administer policy. In actual practice these two functions are inevitably closely linked. The board and the president are constantly changing hats—first formulating goals and policies, and then setting in motion the *actions* necessary to implement the formulation. There is no plan of action that does not at least implicitly restate the goal itself, and no goal is truly meaningful until realistically translated into actuality.

Outlines Responsibilities

But it is very useful to keep the distinction we have just made clearly in mind. And to dig more deeply into this relationship, let's apply our scalpel to the total job of the director and try to peel back each of his separate responsibility. I think we would find these four are prime:

I
To Provide for Management Succession

The single most important responsibility of any board is to choose the chief executive officer. In this one decision the board defines and delimits the whole image of the corporation. In effect, through this choice, the board states its concept of management for at least the near-term future. Now this is not a one-shot decision, to be made only when a president retires or dies. If the board is doing its job right, it will continue to "choose" the incumbent president every day of his operating career, and at the same time keep itself ever ready to name his successor if necessary. This replacement, incidentally, is inevitable, in spite of the myth that the smaller-company president is immortal! There is often remarkable reluctance by an otherwise realistic president to face up to his own replacement; the board must help him over this crucial hurdle.

II
To Nurture and Affirm — and to Caution and Deny — Operating Management's Programs Of Action

As one president recently put it, "If you can walk into a group that are your judges and say, 'Now, gentlemen, this is my program,' let them attack it, and you defend it; and when you finally come out of there, they say it's all right that you go, then you go with confidence."[1] This way the director can dig into the problem, beneath the initial assumption, down to the underlying reality. In the process he can help the president think through the problem and assure himself that the program is either clearly sound or questionable. The job of president is a notoriously lonely one; the opportunity to bring problems to a sympathetic but detached group of sound businessmen is almost uniquely found in the board-president relationship. The board is not only a sounding board; it can also nurture new ideas along to maturity. This fact poses a real challenge to the board to study and enhance this operating relationship. Probably many boards are too little concerned about the thoroughgoing need for self-study and training as a "sounding board"—a role that's essentially a combination of informed listening and thoughtful contemplation. Most board members are themselves operating men 90% or more of the time, and themselves tend to be "action happy." Learning to listen is often not easy for them!

III
To Perpetuate the Corporation Itself

By giving the corporation perspective beyond itself, and by giving perspective from the present moment out into the longer-term future, he director can begin to cloak the corporation in that perpetuity envisioned by Chief Justice Marshall in his famous Dartmouth College decision of 1819. Please do not assume that I am attaching too much importance to "public mindedness" in a board's outlook. There is no question but that this "big picture" point of view can gain inordinate impact. Some publicly oriented board members have rightly been taken to task for failing to understand that their particular firms, living within their particular industries, need certain profits to survive. Nevertheless, a firm must live within a total society, and must be able to live for a long time.

Business history shows again and again that those firms that have raised their sights beyond the immediate day-to-day problems and faced up to the fact that they were key elements in the total economy have been those that have lasted and grown. And this is a point that by no means should be made only for the larger corporation. I am constantly impressed by the vitality of some of our smaller New England companies in facing their regional, national and even international responsibilities. It is interesting that these progressive firms generally have strong boards.

IV
To Represent All Stockholders, Roughly in Proportion to Their Holdings

Representation, as we use it here, implies two closely related objectives: First, to act as a fiduciary in *conserving* the shareholder's holdings, and second, to take the positive, or operational, responsibility of making *fruitful use* of these funds. I should like to emphasize this second aspect of representation, for it is often overlooked by the stockholder-oriented board member. One point that appeared and reappeared again and again in my study of proxy battles was that it is essentially sterile to try to vote stock to preserve a status quo. The status quo is like a will-o'-the-wisp—it always eludes you. Too often, stock is voted to "preserve" rather than to "continue."

Notice also that I asked that this representation be *roughly* in proportion to holdings. Perhaps we could use the analogy of the elected representative to government; we expect him to be sensitive to our views and fairly represent or state them in Congress. But we hope that he can also take a broad point of view when needed—can look beyond partisan interests in certain key situations to the over-all good.

Now in looking at these four points in terms of smaller corporations, I think we can make two observations:

Offers Two Observations

First — except possibly for the fourth, stockholder representation —amny small-company boards do not carry through on these four prime responsibilities.

Second, the reasons are largely the result of the type of person chosen for director and what is done with him once he is selected.

Here we must inevitably introduce the subject of the so-called "outside" director. Actually, I think this title is a misnomer, and the discussions of the relative values of the "inside" and "outside" director are smoke screens hiding a more fundamental consideration.

A board member needs many attributes — integrity, courage, knowledge, etc. But the most important single quality he *must* possess to adequately meet all four of our prime responsibilities is "independence." He must be organically detached from too close ties with *any* element of the corporation—the chief executive, any given stockholder bloc, the employees or suppliers. But even beyond this detachment itself, he needs enough stature to be able not only to affirm but also to deny the president (I am emphasizing here, for the moment, the adversary side of this relationship).

Without this stature, I maintain the director is not really independent. I am tempted to put it as bluntly as this—"Can your directors, in actual fact, fire the chief executive officer?" Assuming you are both president and majority stockholder, your answer would probably be "No, they cannot—this would be most presumptuous." And I would hasten to agree with you. Unless we preserve the right of private property, with its concomitant rights of personal initiative and personal success or failure, we will get other concepts of individual enterprise. But I would additionally hasten to add that I want no complacency and locked-in inefficiency countenanced by any board. Should not *every* manager in part be "running scared"—realize that he is accountable for success *and* failure? Should not every aspect of the corporation be scrutinized from every angle of every one of its variables? You ask this of your employees. And management, too, is one of these variables. If I were to recast our original question to say, "Can your directors, in the face of lessened efficiency of the chief executive, effectively bring about the designation of a strong executive vice-president?"—the problem takes on more realism. It's a provocative question, and one that should help you assess the actual independence of the board.

The Large Shareholder

"But what of the practice," you might ask, "of having large shareholders represented on the board?" "All right," I would answer, provided the board member is not subservient to the wishes of that bloc—can look to the longer-term issues of management succession and perpetuation from a corporate point of view. We see a number of examples where a lawyer or other representative of a retired executive or his widow, or of a large non-management bloc of stock, has effectively been able to represent his client and usefully serve the broader interests of the company. Unfortunately, we sometimes see the opposite—where the representative is wedded to a narrow point of view that over-emphasizes the short-term considerations. Income and estate-tax implications have caused particularly unhappy consequences here.

The important consideration, then, is not whether or not the director is an "insider" or an "outsider." Rather, the strength or weakness of the relationship varies directly with his *actual*, as against the *professed*, independence. Perhaps we could generalize that the chances are greater that an outside director will typically have greater detachment in his relations with management and stockholders. This is not always so; the converse is frequently true. But I do feel that the typical tendencies are in the other direction. Managements are too often complacent of their own performance. The inside directors are too secure in their relationships with their chief executive, and come to feel great dependence on both the corporate status quo and, particularly, the president's wishes. No amount of exhortation that "this is not true in our company" can mitigate it if the tendency is there. And it's an extremely subtle relationship, one that is hard to bring oneself to recognize. You don't like to think of your people as being "yes men," and in fact they probably never put it baldly as "yes." But there are many ways of blindly agreeing without appearing to be doing it blindly.

A fair question here would be, "Where can I find such an 'independent' director?" This question is made more difficult by the very fact that, as we have premised, the actual face - to - face relationships are the ones that count. Whether he's a lawyer, a supplier, a college professor, or what have you, matters much less than the explicit relationship he will assume, particularly in relation to the chief executive officer. Therefore, we look first for integrity and independence.

Consultant vs. Board Member

A recurring reaction among many smaller-company presidents

*As address by Prof. Broehl before Investment Casting Institute's "Management Conference," New York City.

1 Smith, E. Everett, "Put the Board of Directors to Work!" *Harvard Business Review*, May-June, 1958, p. 44.

Carl Marks Given Haitian Award

The highest civil award by the Haitian Government was received by Carl Marks of Carl Marks & Co., Inc., New York City, from President Francois Duvalier on the morning of Jan. 27, 1959. The award is an election to the grade of Officer of the Order of Toussaint L'Ouverture. The Finance Minister Jean Magliore; Senator Victor Nevers Constant; M. Clement Barbot, Private Secretary of the President of Haiti; M. Michel Lamartiniere Honorat, Secretary of State of Coordination; Dr. Carlo Mevs, Member of the Communal Commission of Port-au-Prince; and numerous other notables were present.

The award carries an honorary citizenship from Haiti. It was given Mr. Marks because of his continued interest in economic problems concerning the Republic of Haiti. Many years ago Carl Marks & Co. had an indirect association with the financing of the Casino and other buildings in Haiti.

is that the man who is really outside the particular company's field—who is being considered not for technical knowledge but for his qualities as a generalist—is not as sound a choice as the technical specialist who knows the company's field well. I do not underestimate the problem of training of a generalist in the company's operation. If the industry-oriented man is also broadly oriented, so much the better. However, remember that the quality asked of a board member is different than that asked of an expert consultant. A consultant may be critically needed *as a consultant*, and still not be a sound board member.

The question of compensation inevitably intrudes in any discussion of outside directors. Let me offer two comments here. First, don't underestimate the motivational value of a small director's fee. One of the most surprising things I have encountered in my research is the pride with which a director regards his director's fee, even though it is "nominal" as to be almost insulting. I think if we were to make a curve of indifference on the various sources of executive income, I'm sure we would find the director fee at the top in desirability. I'm not sure I can explain this. But it does seem to tell us that not only is the director's job a prestige job, but the fee itself carries prestige not necessarily tied to the amount.

My second point is more directly applicable to the smaller firm. In several young firms I have found an interesting concept of the director's fee. We might dub it the "growth fee" notion. In the early stages of the firm's growth the fee is either nothing or negligible, but it is clearly understood that as the firm gains in strength and profitability the director—who presumably helped it develop—will share in its increased profits through a higher long-term fee.

Sentitive Operating Relationships

Let's now assume that we have a soundly constituted board; what, then, are some of the sensitive operating relationships?

Certainly the first is the relation of this board to the chief executive. I reiterate the intense need for the board to keep a pattern of executive succession always in mind. Approaching retirement, the chief executive may be tempted to indulge in two common practices, either of which may confound the board unless carefully understood by all concerned. On the one hand, he may wish to hand pick his successor. Typically, no one is in a better position to assess his subordinate's performance. But—as we have already stated—this is the most important of the board's many responsibilities. It is, therefore, incumbent on both the president and the board to make this choice one in which both agree.

The other practice, becoming more common, is "semi-retirement," in which the chief executive maintains a part-time operating relationship beyond retirement. The growth of deferred compensation plans has promoted this practice. But it is potentially dangerous unless hedged about with clear restrictions that will prevent the ex-president from hamstringing his successor. There is great value in the "elder statesman" concept, *if it is clearly understood*. The board's responsibility is to ensure that it is.

Another very sensitive relationship of the board is with subordinate operating officials. This was brought out in the thought-provoking article, in the November 1 issue of *Business Week*, on Smith-Corona's establishment of a planned procedure by which operating officials can contact directly board members in their special fields. In effect, the system explicitly provides for by-passing the chain of command running through the president's office. It evidently has worked well. A strong word of caution is in order, though. This practice does violate a presumed basic tenet: that the board member's formal relationship—or, to put it more correctly, legal relationship—with subordinate operating officials must be confined to board meetings as such. Certainly, the practice of calling these operating officials to board meetings from time to time is very wise. There is a real need for acclimating the operating men to the board concepts well before he is actually chosen a board member. And, as we have mentioned earlier, the board must know the potential candidates for chief executive long before it chooses him.

But extending this director-employee relationship to extra-meeting contacts is fraught with great dangers. A board member has significant status (formal and informal) and an innocent question asked largely for information may backfire. (This, of course, complicates the problems of the chief executive officer in training the so-called "outside" director.)

Other Points

A word or two on several other points. Here are some other things I look for in trying to assess a board's true operational efficiency:

(1) If the post of chairman constituted clearly? Do the chairman's attributes complement those of this chief executive officer? Does the chairman in fact provide a leavening influence on board meetings? (I feel that the practice in many smaller companies of combining the jobs of chairman and president fails to take advantage of one of the really significant managerial relationships.)

(2) Are there agenda for every meeting? More importantly, are the agenda operational, providing clearly defined areas for specific thinking? Or do they merely enumerate standard items? (Incidentally, the use of the premeeting report varies widely; many companies use it, but some feel that it tends to build up preconceptions.)

(3) Are there disagreements? In this harmony-conscious age we sometimes tend to forget the salutary effects of honest disagreement. Often the meeting's chief purpose seems to be to "rubber-stamp" previously made decisions. To guard against this is the responsibility of board and president equally.

(4) Finally, one of the most important single operational questions facing a board of directors: Is there some kind — formal or otherwise — of managerial-salary committee? And is this committee made up in part (or in whole) of men whose salaries are not set as part of the corporate salary structure? How is the salary of the chief executive officer set? To what degree must the board know his total economic situation? And how does the board ascertain how deeply it must probe to find it? These are troubling questions. We all hope to keep our own personal plans to our own families. And yet, in the case of the executive, the reasons for his setting his corporate salary at X level may be inextricably linked to his personal goals, perhaps largely in the light of current tax laws. But its impact on other salaries in the corporation is obvious.

I will say this, though. It's very hard for anyone to be truly objective about his own compensation. Here is perhaps one place where sharing a decision with the board will pay off handsomely in peace of mind.

And don't all of us find it extremely difficult to be objective about our own performance? Perhaps we could all usefully use a personal "gadfly," as Socrates described himself:

"I am that gadfly which God has attached to the state, and all day long and in all places am always fastening upon you, arousing and persuading and reproaching you."

Is your board of directors your "corporate gadfly?"

N. Y. Banker Analyzes 1958 Disclosure Act

Provisions of the Welfare-Pension Plans Disclosure Act of 1958 are analyzed by William L. Barton at meeting of savings bankers.

A comprehensive analysis of the Welfare and Pension Plans Disclosure Act of 1958 was presented February 10, by William L. Barton before the 11th Annual Conference on Operations, Audit and Control, organized by the National Association of Mutual Savings Banks, held at the Hotel Statler-Hilton, in Boston, Mass. Mr. Barton is a vice president of the East River Savings Bank, New York, and a member of the Association's Committee on Savings Bank Internal Operations.

William L. Barton

The new legislation which Mr. Barton discussed requires administrators of welfare and pension plans to publish descriptions of such plans and to file annual financial reports. Savings banks are affected by this legislation, Mr. Barton said, since many of them have organized welfare and pension plans for their personnel. Mr. Barton said that the Act had been adopted on the assumption that progressive employers should have no real objection to disclosure. "Adequate disclosure," he said, "which many savings banks have long practiced, fully achieves the complete value in employee relations which the benefit plan was intended to achieve when it was set up."

Underwriters Trust Enlarges Facilities

Underwriters Trust Company observed Open House at their newly enlarged quarters at 100 William Street, corner of John Street, Feb. 16, 17 and 18. Christian W. Korell, President of Underwriters Trust Company, has announced that the newly enlarged quarters provide much greater facilities for convenient banking, a reception space for depositors, and additional tellers windows, to accelerate banking needs.

Underwriters Trust Company has been located in the Insurance District for the past 30 years giving specialized service in the fields of insurance, investments, and the tobacco, leather and metals business among their other services. The present expansion is another forward step in the bank's long-established policy of integrating itself with the growth of the city of New York.

FIC Banks Place Debs.

The Federal Intermediate Credit Bank on Feb. 17 offered a new issue of approximately $192 million of 3.70% nine-month debentures, dated March 2, 1959 and maturing Dec. 1, 1959. Priced at par, the new issue was offered through John T. Knox, fiscal agent, and a nation-wide selling group of securities dealers.

It was also announced that a total of $8,000,000 of outstanding debentures maturing July 1, 1959 and Oct. 1, 1959 was sold for delivery March 2. Proceeds from the financing will be used to refund $141,600,000 1.60% debentures maturing March 2, 1959.

Missiles and Electricity

By ROGER W. BABSON

Discovering gravity secrets to harness the sun's energy and development of anti-missile missile are respectively, according to Mr. Babson, the great peace-time and defense priorities for mankind. The financial writer doubts any country would start a war without having the anti-missile missile; does not recommend investments in corporations with missile contracts; and relies on his studies of gravitation to support belief "two wires . . . carried up through space a certain distance . . . could utilize the atomic heat from the sun. . . ."

The newspapers carry much news regarding missiles and rockets. This news is of interest to the many industrial plants which make parts for such missiles. However, notwithstanding the Washington releases on missile contracts, the corporations which have the government contracts derive very little profit from such business. I am not now recommending investment in any of these.

Roger W. Babson

Of course, we should all be interested in missile experiments and in space studies. It is too bad the Russians got a head start on us. It is utterly foolish, however, to state that "it will take two to three years" for us to catch up with Russia. Such reports are being put out by manufacturers as propaganda to get greater appropriations. President Eisenhower knows this and will not be fooled by them.

Importance of Anti-Missile Missiles

It is well for us to have "surface-to-surface," "underwater-to-surface," and "air-to-surface" missiles which can hit a given target 500 to 2,500 miles away. These are as important as guns, cannons, submarines, and airplanes; but they are for offensive warfare. It seems generally understood that the United States is in no mood now to start a World War. This also probably applies to Great Britain and France. Whether or not Germany will wait for Russia to strike first is another question.

The above means that the important weapon, from a defense standpoint, is an **anti-missile missile**. This is a missile which can be fired to head off and destroy any approaching missile being fired at our cities by an enemy. Even though we would not start a war with Russia, we would immediately go to the help of any free nation—including Germany—which Russia might attack. We then would be subject to bombing. Hence, a defense against such missiles is an absolute necessity. But today we hear or read very little about such protection as anti-missile missiles.

Propaganda Is Usually False

This is especially true of the attempt to scare the American people into spending more money by saying it will take us three or four years to catch up with the Russian scientists. But let me comment on this three to four year propaganda. All research men know that TIME is an impossible factor to judge with regard to discovering the solution to any scientific problem. It may have taken the Russians four years to reach their present efficiency with missiles; but the physicists and engineers of some other nation may make a discovery in 30 days which will put them ahead of Russia. Most great inventions have come from a sudden idea.

Furthermore, Russia may not now be ahead of us in anti-missile missiles. No nation yet has the protection desired from such missile attacks. Yet this is the important discovery which the world is awaiting. Some Washington friends may tell you, "We have such an anti-missile missile; but the data are 'classified or secret'." Don't believe them. The experiments by most nations with anti-missile missiles are known throughout the world. They cannot be kept secret, except possibly by Russia in Siberia. I wish to drive home to readers of this column that no country — including Russia and Germany—will start World War III until it has discovered a means of preventing destruction by enemy missiles. Our Defense Department should give priority to such work rather than to shooting around the moon.

Electricity from the Air

Notwithstanding the above, I am greatly interested in learning more about space. My studies with gravitation make me believe that if two wires are carried up through space a certain distance, we could so utilize the atomic heat from the sun as to produce or collect electricity directly without the need of generators on the earth. I am certain the time is coming when our great public utility stations, instead of burning oil or coal, will have great "wires like lightning rods" extending up into the air. This is what Benjamin Franklin visualized over 200 years ago in 1752. The space experiments now in process will surely find the answer. Neither Russia nor Germany is talking about them; but some nation — possibly France — will find the answer.

Sir Isaac Newton (whose library we have at Babson Institute, Babson Park, Mass.) learned that gravity could bend a line or keep it upright. Space experiments are finding out what gravity will do after a missile pierces the gravity barrier. It then is pulled to the moon or sun automatically without power. Dr. Albert Einstein had all this in mind when he insisted that Electricity, Gravity, Magnetism (and in his last days he added Love) all come from some outside force and are interrelated. I wish that Benjamin Franklin, Thomas Edison, and Dr. Einstein were here today to talk this over. Surely this would result in an "atoms for peace" program, which was Dr. Einstein's daily prayer. This was based upon the sun as the universal source of energy.

Cottingham With Morgan

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Harry A. Cottingham has become associated with Morgan & Co., 634 So. Spring Street, members of the Pacific Coast Stock Exchange. Mr. Cottingham, who has been in the investment business for many years has recently been with Taylor and Company and Dempsey-Tegeler & Co. In the past he conducted his own investment business in Pasadena.

Continued from page 9

A Blunt Opinion on How Canadians View the St. Lawrence Seaway

one of the greatest thrills which North America affords.

The Suez Canal is 103 miles long, all at sea level, and the Panama Canal has a length of 53 miles. Ships passing through the Panama Canal are lifted to an elevation of 85 feet.

Feeling as we Canadians do about the Seaway you can appreciate that we have developed certain pretty definite attitudes toward anything which seems likely to cloud its future. Our greatest worry is that we may have made a serious mistake in urging you—as we did continuously for a quarter of a century — to join with us in its construction.

It Took Canadian Threat

Not until we, by far the smaller and less affluent partner, had decided we would defy tradition and build the Seaway ourselves did you agree to join with us. Canadians now harbor very serious doubts as to whether their great dream will bring all the benefits for which we have hoped in light of the condition you attached for participation. That condition is that the cost to you of building your part of the Seaway must be recovered through tolls.

Today a great many Canadians feel, and I think with reason, that it would have been better for the external relations of both our countries had we made the Seaway as far west as Lake Erie an all-Canadian enterprise, and so have been able to keep it toll-free had we so desired.

Indeed, the Premier of Ontario has already called upon the government of our country to build locks on the Canadian side of the International Rapids section in order that the Seaway between Montreal and Lake Erie shall once more become a wholly Canadian facility.

Finds Strange Contradiction

How we got ourselves into our present position with respect to Seaway tolls lies outside the scope of this paper. But many Canadians, however unfairly, blame you for the existence of such tolls; and we all feel your position to be exceedingly strange—to put it no stronger—in light of your long-standing national policy of toll-free domestic inland waterways.

There is, as you know, a strong Scottish element in Canada, as well as a very large population of thrifty Norman-French origin. Canny and thrifty people living in a harsh environment do not take lightly the expenditure of $800 million, which is the probable overall cost to Canada of making the St. Lawrence a great trade artery. Hence we do not like to think that because of your insistence on Seaway tolls much of our large expenditure may turn out to have been wasted.

Our expenditures on the St. Lawrence waterway, both past and current, represent more than $45 for each of the 17.3 million men, women and children who live in Canada today.

When that sum of $800 million we have spent on the St. Lawrence over the years is compared with the $275 million you are now spending on the Seaway, it looms pretty large. But only when you realize that our expenditure of $45 per head of population compares with an expenditure of about $1.57 per head of your population do the figures tell their whole story in all its starkness.

We Canadains may derive a sort of wry satisfaction out of contemplating the panic into which the expenditure of $1.57 per head of your population seems to have thrown your government. But we can see nothing in the slightest bit amusing in the world's richest country insisting upon Seaway tolls in order to recover the expenditure of $1.57 per capita on so great an International project.

You, who have uplifted the hearts of mankind with the Marshall Plan and Truman Doctrine, to say nothing of the Carnegie, Ford, Rockefeller and other Foundations, now seem to stand in some danger of appearing as a sort of road-show Shylock to your closest neighbor and your best customer.

We Canadians and you Americans have achieved so much in unison, and we hold to so many of the same ideals, that it alarms and hurts us in Canada to contemplate your abandonment of a long-held and beneficent national policy in order to recover $1.57 for each living American through Seaway tolls.

It is especially puzzling to us that you should abandon that policy in view of the fact that nearly 60 years ago you practically forced toll-free inland waterways upon Canada. There was a day when our canals were tolled, but when you followed objection with retaliatory action, we also made all our inland waterways toll-free.

Retrograde Step

We Canadians regard the reimposition of tolls on inland waterways as a retrograde step which is likely to do harm far outweighing the benefits of recovering $1.57 for each of those living in your great, rich and powerful country.

Indeed, the collection of Seaway tolls might well form the thesis for some university student. If I was permitted to suggest a title for that thesis, I think it might be: "How to Buy International Ill-Will at Bargain Prices."

Doubtless we in Canada shall get over our chagrin at an action which now seems both picayune and retrograde; after all, small nations cannot long afford to harbor chagrin against big neighbors.

But as we see rich Americans giving each other mink and Cadillacs at Christmas, we may remember that measly $1.57 which now seems to bulk so large in your financial calculations. Certainly we shall puzzle over the reasons why a country we have long looked up to as good as well as great should have suddenly turned skinflint.

However, let neither of us ever forget that in building the Seaway we have together wrought greatly for the benefit of both our countries. Nor should we feel anything but the greatest pride and satisfaction that in the constructing of so magnificent a monument to man's God-given ability, we have done so in the face of incredible difficulties.

No one who has not experienced the St. Lawrence Valley winter can really understand what we North Americans have accomplished in taming a great river to the service of mankind.

American and Canadian workers in constructing the International Rapids section of the Seaway labored in temperatures as low as 50 below zero. In summer they had to contend with oppressive heat, and with dust rivalling that of a desert sand storm. The quantity of rock and dirt that had to be moved was so great that the magnitude of the figures is almost meaningless to a layman. What we can appreciate is the fact that some of the rock encountered was as hard as any in the known world.

But in addition to having to move immense masses of material, we had also to dispossess and relocate a very large number of human beings. Those who lived on the Canadian side occupied ground of great historic significance to our country, for their farms and towns were established mainly by United Empire Loyalists who fled the U. S. rather than accept the consequences of the American Revolution.

Those people gave up their land to make possible the construction of the Seaway and its inter-related power development. Should

the Seaway not fulfil their expectations, or the hopes of all the people of Canada, then they may well feel that they have suffered at the hands, not of good neighbors, but of ancient foes.

So you can see that to Canadians the Seaway partakes of a character far transcending that of a great International trade artery. The majority of Canadians are prepared to hail the opening of the Seaway as the dawn of a new day. Such people see in the Seaway a panacea for most of the ills which afflict our national economy; they appear to have the same faith in the Seaway as our grandparents had in patent medicines.

People possessed of such faith and hope are very apt to be short on charity if their hopes are not realized or their faith appears to have been misplaced. They may be said to be almost obsessed; and as we all know, it is very hard to reason with or to placate the obsessed.

The St. Lawrence Seaway, then, carries with it potentialities both bad and good; and it will require much skill and tolerance on the part of both Canadian and U. S. statesmen to ensure that it becomes a uniting rather than a divisive factor in our lives.

John Carroll, who accompanied Benjamin Franklin to Montreal in 1776 in an effort to persuade French-Canadians to join in the American Revolution, would certainly have deplored anything which is likely to create ill-will between our two countries. Let us hope, then, that out of this meeting, held in a University bearing John Carroll's name, there will come a new U. S. perspective on the St. Lawrence Seaway.

When Canadians and Americans can so defy harsh nature; and work together so harmoniously and constructively as we have done in building the Seaway, hope is kept alive, not only for the future of relations between our two nations, but also for the future of good relations between all members of the human race.

There was in the joint construction of the Seaway a great merging or marrying of disparate International talents. In the awesome but beautiful words of the marriage ceremony: "Whom God hath joined together let no man put asunder."

J. E. Conroy Opens

WHITE PLAINS, N. Y.—James E. Conroy is engaging in a securities business from offices at 234 Martine Avenue.

County Shareholders

LARCHMONT, N. Y.—County Shareholders Corp. has been formed with offices at 128 Chatsworth Avenue to engage in a securities business.

John G. Cravin Co. Opens

John G. Cravin & Co. is engaging in a securities business from offices at 37 Wall Street, New York City. Partners are John G. Cravin and Nicholas J. Federico.

Eaton & Howard Makes Appointments

BOSTON, Mass.—Eaton & Howard, Incorporated, 24 Federal St., has announced the promotions of Robert A. Blakeslee, William H. Gassett and Thomas Johnson from assistant vice presidents to vice presidents.

Elected assistant treasurers were Frank O. Adams and Irving Skinner. Charles L. Drury was appointed director of advertising and Natalie V. Bolton, Richard H. Greene and Walter D. Silcox were named research associates.

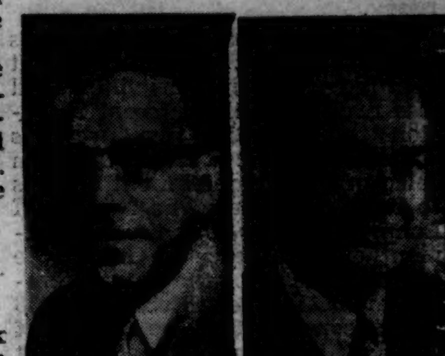
Two With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frank S. Harryman and Ervin J. Urman have become associated with E. F. Hutton & Company, 623 South Spring Street. Mr. Harryman was previously with J. Barth & Co.; Mr. Urman was with Shearson, Hammill & Co.

NASD District No. 10 Names Officers

WASHINGTON, D. C.—Robert W. Fleming, Vice-President, Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc., Washington, was



E. Clinton Bamberger Robert W. Fleming

elected Chairman of District Committee No. 10 of the NASD which comprises the District of Columbia and the states of Maryland, North Carolina and Virginia. Mr. Fleming succeeds J. Wilmer Butler of Baker, Watts & Co., Baltimore. E. Clinton Bamberger, Partner, Baumgartner, Downing & Co., Baltimore, was elected Vice-Chairman.

The district, prior to a change in boundaries last year, formerly covered the District of Columbia and the states of Maryland, North Carolina, Virginia and West Virginia and was known as District No. 11. Richard Peters, with the NASD office in Washington, is District No. 10 Secretary.

Nikko Kasai Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Richard Sekiguchi is now affiliated with Nikko Kasai Securities Company, 2165 California Street.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William H. Shipley has become connected with Reynolds & Co., 425 Montgomery Street.

With Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — David Q. Lewis has joined the staff of Columbine Securities Corp., 621 17th Street.

Garrett-Bromfield Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Wayne F. Morrison has been added to the staff of Garrett-Bromfield & Co., 650 17th Street. He was formerly with Mountain States Securities Corp.

With S. Romanoff & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Sidney Finkle is with S. Romanoff & Co., 340 Main Street.

Form Israel Investors

Israel Investors Corporation has been formed with offices at 19 Rector Street, New York City to engage in a securities business.

E. L. Jenkins Opens

HOLLIS, N. Y.— Emmanuel L. Jenkins is conducting a securities business from offices at 114-67 197th Street.

Northeastern Inv. Corp.

Northeastern Investors Corp. is engaging in a securities business from offices at 285 Madison Avenue, New York City.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold T. Collins and Robert Damino Jr., are now connected with Marache, Dofflemyre & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. Mr. Collins was previously with Neary, Purcell & Co.

Continued from page 3

Current Trends, Problems and Prospects in the American Economy

unemployment a year ago in February.

Some business commentators have called attention to the fact that employment has improved less rapidly in the current recession than in the two previous recessions. Care must be taken in selecting the employment figures to be used because the Bureau of Labor Statistics and the Department of Commerce do not agree on the amount of the gain in employment. Between February 1958 and December 1958, the Bureau of Labor Statistics estimates that non-farm wage and salary employment outside of households increase by 2,048,000; the Department of Commerce puts the increase at 1,692,000. I have used the Department of Commerce estimates because they are based upon a more comprehensive survey than the estimates of the Bureau of Labor Statistics.

It is true that the gain in total civilian employment (farm and non-farm) in the first three quarters of the present recovery is slightly less than in the first three quarters of the recovery of 1954-55 and no greater than in the recovery of 1949-50. The great difference in the three recoveries, however, has been in the hours worked. Average weekly hours of all civilian employees dropped in the first three quarters of the recoveries of 1949-50 and 1954-55, but increased in the first three quarters of the recovery of 1958. When total number of hours worked is compared, employment gains in the current recovery have been considerably greater than in the two preceding recoveries. The rise in output per manhour (when output is expressed in dollars of constant purchasing power) for the entire labor force has not been exceptionally high in the present recovery—on the contrary, it has been less than in the two previous recoveries. Table I compares the three recoveries with respect to output, employment, and weekly hours worked. In computing percentage changes in employment seasonally adjusted figures were used.

This analysis of employment in the last three recessions shows the error in some of the prevalent explanations of the slow response of employment in the recovery of 1958. The explanation is not in automation or other gains in efficiency. The gain in output per manhour has been large, as it always is in the first stages of recovery, but it has been less rapid in the present recovery than in the two preceding ones. The main explanation of the slow response of employment to recovery has been the fact that in this recovery weekly working hours have increased, whereas in previous recoveries they dropped. The spirit of caution or timidity that has dominated the business world is responsible for the increase in weekly hours. The spirit of timidity is also reflected in inventory policy. Until the end of 1958, manufacturers continued to reduce inventories. Timidity caused employers to increase working time rather than add to their forces because they were not sure that the recovery would last.

IV
Personal Income

Wage and salary income in December made an all-time high. Total personal income, after adjustment for seasonal factors, dropped slightly in December to an annual rate of $359.3 billion—the second highest month on record. The small drop in personal income was due to smaller-than-usual year-end dividend payments, and a small drop in transfer payments as the unemployed exhausted their rights to benefits. It was the fourth straight month of drop in transfer payments. Nevertheless, transfer payments in December 1958 were 8.0% larger than the average for the first quarter of 1958—the bottom of the recession. The rise of transfer payments above the bottom of the recession has been mainly due to the secular increase in pension payments.

V
Consumption, Retail Sales, and Consumer Credit

Expansion of the economy was assisted in the fourth quarter of 1958 by a sharp drop in the rate of personal saving from an annual rate of $22.5 billion, or 7.2% to $19.0 billion, or 6.0%. There was a good increase in the buying of durable consumer goods from an annual rate of $36.1 billion in the third quarter to $38.6 billion in the fourth quarter. But the rate of purchases of durable consumer goods in the fourth quarter was still below the fourth quarter of 1957 and, expressed in dollars of constant purchasing power, below the average annual rate in 1955, 1956, or 1957.

Preliminary figures on retail sales for January, after correction for seasonal factors, show a slight drop of 0.3% from the revised December figures, making January the second highest month on record in retail sales. Between December and January the seasonally adjusted figures show a rise of 0.4% in sales of durables and a drop of 0.6% in the sales of non-durables. Sales of durables in January made a new all-time record, slightly surpassing the previous record of July, 1957. Sales of non-durables were higher than in any month except December, 1958.

Automobile sales in January at 428,000 cars were 12.6% greater than the sales of 380,000 in January, 1958, but sales per day were 12.7% less than in January, 1957. In December sales were 3.2% above December, 1957. Ford Division of Ford Motor Co. reported January sales were 35% above January, 1958. Rambler sales in January were more than double sales in January, 1958, indicating the strong favor that the small car is meeting.

Consumer credit expanded rapidly in December, due to the rise in sales of consumer durable goods generally, but especially the rise in the sales of automobiles. The increase of $1,601 million in consumer credit in December, 1958, was the largest for any month on record, and the year ended with the outstanding volume of consumer credit reaching an all-time high of $45,065 million. But as a ratio of personal income, consumer credit was still slightly below the figure of December, 1957, when the ratio was 12.8%. In December, 1958, it was 12.3%. New expansions of automobile credit in December, after adjustment for seasonal factors, were the largest on record.

VI
New Orders, Contract Awards, And Inventories

Construction contract awards in December were 15.1% above December, 1957. Residential building continued to make an excellent showing with contract awards 29.3% above December of last year. On a seasonally adjusted basis, construction contract awards were more than 20% below November and the lowest since December, 1957. The seasonal adjustment for December, however, seems regularly to give abnormally low results. Hence, the large drop in the seasonally adjusted figure for December is not significant.

Heavy engineering construction contract awards in the five weeks ending Feb. 2 were 24.9% above the corresponding period of last year. In the four weeks ending Dec. 29 they were 19.5% above last year, and in November they were 12.4% above November, 1957.

New orders of manufacturers, after adjustment for seasonal factors, increased to $28.1 billion, the largest volume of new orders since May, 1957. The increase in new orders was entirely in non-durables, which at $14.6 billion were almost equal to the previous all-time high of April, 1957, when new orders for non-durables (seasonally adjusted) reached $14.7 billion. New orders for durables on the other hand, at $13.5 billion, were well below the highest months of 1956 and 1957.

The figures on unfilled orders, which increased in November for the first time since December, 1956, rose again in December to $46.8 billion, and were larger than in any month since March, 1958.

The book value of trade and manufacturing inventories, after seasonal adjustment, increased by about $200 million during December—the second successive month of increase. As in November, the increase in inventories was concentrated in retail automotive inventories, reflecting the stocking of dealers with new 1959 cars. The book value of manufacturing inventories continued to drop during December, and was lower than in any month since April, 1956.

The National Association of Purchasing Agents reports a sharp rise in the proportion of firms receiving an increase in new orders in January, but little change in the inventories of manufacturers.

The ratio of inventories to monthly deliveries continued to drop, and in most parts of the economy was well below the ratio of December, 1956, as the Table II shows. The ratio of inventories of manufacturers to new orders is low as is reflected in Table III.

VII
Prices

The index of sensitive prices, which was moving downward in December, continued to drop in January, though at a much slower rate. It was 85.3 on Jan. 2, and 84.5 on Feb. 6. Prices of industrial raw materials and metals were virtually unchanged, but the index of the prices of raw foodstuffs dropped from 79.9 on Jan. 2 to 77.9 on Feb. 6. There has been a marked divergence in price trends among the components of the index during the last year. The index of raw food prices fell from 87.0 on Jan. 30, 1958, to 78.5 on Jan. 30, 1959; but in the same period the index of prices of industrial raw materials rose from 83.3 to 88.8 and metals from 85.5 to 97.3. These divergent trends show that inflationary influences are strong outside of the field of agriculture.

The index of wholesale prices continues to show no significant changes. (Table IV)

The consumer price index dropped in December from 123.9 to 123.7. For the last six months the index has been virtually unchanged. It was the same in December as in June. In December there was a particularly large drop in the prices of foods, but it is noteworthy that five out of the eight principal categories in the consumer price index fell between November and December.

VIII
Wages and the Prospects of Strikes

The most important development in the labor field during the last month has been the series of 5% wage increases granted in the oil industry and generally accepted by the unions. During this year of recovery, output per manhour will rise at more than the normal rate and the increase in productivity may exceed 5%. In that event this increase will not be inflationary. The increase will have considerable effect upon other settlements, especially those in rubber and iron and steel.

The predominant view in the business world is that there will be a steel strike this year. This belief is well grounded. It is based upon two assumptions. In the first place, the union leaders have announced that they expect to insist on large concessions. The political unrest in the union makes it likely that the union will insist on stiff demands. In the second place, the companies will not wish to incur public illwill by granting stiff demands without first putting up a fight. The union will win the strike and will get most of what it went after, but the companies will gain credit for having tried to protect the public from large increases in wages. The economic effects of the strike, if it occurs, will be limited because most users of steel will have stocked up well in anticipation of a strike.

IX
Capital Markets

In spite of an unemployment rate of 6.0%, the Federal Reserve is keeping the member banks almost constantly in debt to the Reserve banks. In four out of the last five weeks borrowing exceeded excess reserves. In the week ending Feb. 4 the excess was $62 million.

The rate for 91-day bills has changed little since the end of September. It averager 2.793% in October; 2.756 in November; 2.814 in December; and was 2.810% on Feb. 9. The bond market has been firm and quiet during last month, both for new issues and for seasoned bonds. The Dow-Jones index of 40 bonds, which was 86.45 on Jan. 5, was 86.31 on Feb. 9. Of considerable interest is the drop in the backlog of new issues of corporate bonds and preferred stocks awaiting marketing which dropped from $1,172 million on Jan. 8 to $891 million on Feb. 5. A year ago the backlog was twice the present level, or nearly $1,800 million. Why should business recovery by accompanied by a drop in this backlog? There are several reasons—(1) at present interest rates there is no longer a large volume of refunding; (2) corporations as yet have made only modest expansion of their investment spending plans; (3) rising profits are enabling most enterprises to finance their immediate needs from internal funds. But an increase in the demand for long-term external funds is ahead.

The most important development in the money market during the last month was the high rate of attrition in the Treasury's refunding of $9.8 billion in one-year certificates and $5.1 billion in three year notes early in February. Of these securities, $9.2 billion were in the hands of the public. The holders were offered a choice of a one-year certificate bearing 3¾% interest or a three-year note paying 4%. Nevertheless, holders of $2.1 billion of the maturing securities rejected the exchange offer and demanded cash, forcing the Treasury to raise $1.5 billion through an emergency borrowing operation.

Some financial analysts have viewed this experience with considerable alarm, interpreting it as the effect of inflationary fears upon the willingness of the public to buy fixed income securities. Expectations of inflation are bound, of course, to affect interest rates, and the government must expect to pay market prices. If the government expects to sell long-term securities, it will soon have to raise the ceiling of 4.25% now set by law on Federal securities.

The high recent attrition in the government's refunding, however, is explained as the market's natural reaction to Federal Reserve policy rather than by inflationary fears. Thus far the government deficit has been financed by sales of securities to business concerns rather than to banks. In recent weeks, however, the Federal Reserve has been keeping the member banks in debt to the Reserve system. With money already fairly tight and likely to become tighter, business concerns see no point in tying up their funds for a year or more in government securities. Under the circumstances, it is surprising that the attrition on the government's refunding was not greater than it was. A high attrition must be expected when the large volume of short-term securities now held by business enterprises comes due. The bright side to all of this is

TABLE I

	Increase in gross national product (constant dollars)	Change in total civilian employment (Dept. of Commerce estimates)	Change in private wage & salary employment outside of households and agricul.	Change in av. wkly hours of wk.—all nonfarm civilian employees	Change in av. wkly hours of wk.—factory production workers	Increase in output per man-hr.—all nonfarm civilian employees
Recovery of 1949-50 (second quarter of 1949 to first quarter of 1950)	4.6%	+0.5%	—0.8%	—1.4%	+2.8%	5.8%
Recovery of 1954-55 (second quarter of 1954 to first quarter of 1955)	6.0%	+1.0%	+1.4%	—0.2%	+2.9%	5.2%
Recovery of 1958 (first quarter of 1958 to fourth quarter of 1958)	5.8%	+0.5%	+0.1%	+1.4%	+2.2%	3.8%

TABLE II

	Dec. 1956	Aug. 1957	Dec. 1957	Jan 1958	Mar. 1958	June 1958	Nov. 1958	Dec. 1958
All manufacturing and trade	1.56	1.60	1.66	1.67	1.72	1.62	1.51	1.48
All manufacturing	1.82	1.90	2.00	2.00	2.09	1.95	1.79	1.76
Durable goods	2.12	2.22	2.37	2.43	2.56	2.36	2.10	2.04
Non-durable goods	1.51	1.57	1.65	1.63	1.66	1.58	1.51	1.49
All wholesale trade	1.10	1.12	1.17	1.18	1.20	1.11	1.04	1.03
Durable goods	1.50	1.60	1.74	1.74	1.78	1.63	1.47	1.47
Non-durable goods	0.86	0.85	0.86	0.88	0.88	0.84	0.78	0.76
All retail trade	1.47	1.43	1.45	1.47	1.50	1.45	1.39	1.36
Durable goods	1.84	1.93	2.04	2.05	2.20	2.12	1.91	1.86
Non-durable goods	1.25	1.17	1.16	1.17	1.18	1.17	1.15	1.11

TABLE III

	Dec. 1956	Aug. 1957	Dec. 1957	Feb. 1958	Mar. 1958	June 1958	Nov. 1958	Dec. 1958
All manufacturing	1.80	1.99	2.13	2.18	2.10	1.95	1.77	1.75
Durable goods	2.12	2.40	2.73	2.86	2.60	2.32	2.05	2.06
Non-dur. goods	1.49	1.49	1.64	1.66	1.66	1.61	1.50	1.47

TABLE IV

	Week Ending			Month of		
	Feb. 3 1959	Jan. 27 1959	Jan. 13 1959	Dec. 1958	March 1958	Dec. 1957
All commodities	119.2	119.5	119.4	119.2	119.7	118.5
Farm products	90.7	91.9	91.5	90.7	100.5	92.6
Processed foods	108.5	109.0	109.0	108.8	110.7	107.4
Commodities other than farm products and foods	127.3	127.4	127.3	127.2	125.7	126.1

the prospect that the needs of the Treasury will force the Federal Reserve to ease somewhat its policy of tight money in the face of substantial unemployment.

X

A Misleading Budget

The budget recommended by Mr. Eisenhower for fiscal 1960 has many commendable features. For example, it seeks to get rid of some of the many subsidies in the budget (such as providing postal service below cost, and the loans at 2% made by the Rural Electrification Administration) and it proposes a healthy increase in expenditures on research and development from $4,841 million in 1959 to $5,484 million in 1960. These expenditures may be expected to yield large returns. In the fiscal year 1957 outlays of the Federal Government on research and development were $3,498 million.

Unfortunately, there are included in the budget large and unjustifiable subsidies, such as free hospital service to veterans for non-service connected disabilities and support for prices of farm products. Furthermore, some important growing needs of the country receive small recognition. A small example is the proposed cut in expenditures for recreational resources from $97 million in 1959 to $83 million in 1960. With population growing and the practice of taking vacations rapidly spreading, the country needs an expanding program for recreational facilities.

The most serious criticism of the proposed 1960 budget is that the alleged balance is phony. Three principal devices have been used to create an alleged balance in the budget for 1960. The first device is to put into the budget for 1959 every conceivable expenditure that can be put there, apparently on the ground that since a huge deficit for the fiscal year 1959 is inevitable anyway, there would be no harm in adding to it. The budget estimates for the fiscal year 1959 released in January showed expected receipts from the public of $1,000 million greater than the estimates released in September. But the deficit predicted in January, 1959, was about as large as the deficit predicted in September, 1958. The principal reason is that there was added to the supposedly closed budget of 1959 a large new item — the proposed contribution of $1,375 million to the International Monetary Fund. A more normal procedure would have been to have included this amount in the 1960 budget. If the Congress approves the recommendation, the subscription will not be made in the fiscal year 1959, but at some indefinite time in the future. But to have put the item in the 1960 budget would have destroyed the alleged balance in the 1960 budget. So it was added to the closed budget of 1959.

The second device (a small one) used to create the fictitious balance has been to transfer to the administrative budget some revenues from the cash budget. Such a transfer does not increase the government's cash income and it does not improve the cash budget which is the budget that really determines the impact of government finances on the economy. The principal change is the transfer to the administrative budget of revenues from aviation gasoline taxes.

The third device used to create a fictitious balance has been the underestimating of important expenditures. The principal case is the cost of stabilizing farm prices and farm incomes which the President estimates will be $896 million less in 1960 than in 1959. This estimate is merely an optimistic guess. The cost of price support operations depends upon the size of crops which depends partly upon the weather and also upon the initiative and enterprise that farmers show in taking advantage of the government's price support program. The guesses of the President have not been accurate. In January, 1958, for example, he estimated that the amount required for stabilization of farm price support and related programs in the fiscal year 1959 would be $3,253 million, but in January, 1959, halfway through the fiscal year, this estimate had been increased by about two-thirds to $5,386 million. The budget estimates for the fiscal year 1960 are based on the assumption that yields per acre in 1959 will be less than the record yields of 1958. But with the termination of the soil bank scheme, there will be a substantial increase in acreage devoted to corps. Furthermore, the technological revolution in agriculture is still going on. Finally, the farmers are steadily learning to take advantage of the government's price support program. Unless price supports are substantially diminished, the President's estimates of the cost of price support program will be too low.

Certainly the program of supporting the prices of farm products is one of the most ridiculous ventures ever undertaken by any government anywhere — truly Alice-in-Wonderland economics. The Federal Government is undertaking to prevent the great technological revolution in agriculture from depressing the relative prices of a few favored crops —and the American people are docilely permitting themselves to be taxed to support this madness. No one has ever explained why wheat growers, cotton growers, tobacco growers, corn growers, or peanut growers are entitled to have the country taxed to buy their output. It makes no more sense than would an undertaking by the government to buy up other surpluses, such as the empty seats in railroad trains, street cars, or moving picture houses, or to buy the surplus output of buggies, harness, old fashioned coal furnaces, moustache cups, and a vast variety of goods that the public no longer wants except in very limited quantities. President Eisenhower has sent a message to Congress on the subject of agriculture in which he advocates (1) lower price supports, and (2) a larger program for selling surplus crops outside the United States below world prices or giving them away — even though this means unfairly disturbing other economies. President Eisenhower lacks the courage to make a fight for the abolition of this totally unjustifiable government expense.

The budget is full of subsidies of various sorts that have crept in by a piecemeal process as the politicians have sought to buy the votes of this group or that. A comprehensive survey is needed of the many subsidies and their cost so that the people of the country can see their total cost and decide which of these subsidies are worth keeping.

XI

Can the United States Meet the Growing Economic Competition Of Russia?

Khrushchev's speech to the Twenty-First Congress of the Soviet Communist Party made it plain that the Russians, having attained military equality with the West, if not military superiority to the West, feel able to begin economic competition with the West. Mr. Khrushchev expresses great confidence that the economic balance of power will soon shift from the West to the communist world.

Russia has without question been the most dynamic influence in the world during the last generation. Russia military competition has enormously stimulated the development of science and technology in the United States and has led the government to support research on a scale that the people would not otherwise have tolerated. The great question posed by the new Russian economic competition is whether or not the American economy will respond with sufficient vigor and success to prevent the Russian economic drive from persuading large parts of the world to adopt the institutions of communism.

In an economy such as ours, in which nine-tenths of the output is produced by private industry, the rate of growth is largely determined by the decisions of private industry. In recent years private industry has done some of the things most necessary for rapid growth. It has rapidly expanded specialized technological research to unprecedented levels, increasing the expenditures of its own money on research from $2.3 billion in 1953 to $3.3 billion in 1956 and still more in 1957 and 1958. And industry has invested huge amounts in industrial plant and equipment.

But in spite of the rapid growth of research and the large volume of investment, output has grown only slowly. The gross national product of the country, measured in dollars of constant purchasing power, increased less than 10% in the four years from 1953 to 1957, and it dropped in 1958. The slow rate of growth is attributable to two principal influences—one private and the other public. The private influence was the failure of business concerns, especially the makers of durable consumer goods, to make sufficient improvements in their goods to stimulate a strong demand. The public influence was the tight credit policy of the Federal Reserve which began in 1956. The marked slowdown in production began with the year 1956 when the increase of output, expressed in constant prices, was only 2.4% above the previous year. In 1957 the gain in output was only 1%. For the year 1956, the average borrowings of member banks of the Federal Reserve system exceeded excess reserves by about one-third. In 1957, credit was even tighter. As a result of tight credit policies, total demand deposits and currency outside of banks increased by only 6.2% in the four-year period 1953 to 1957—less than half of the normal rate. Between 1955 and 1957 there was virtually no change in the total amount of demand deposits and currency outside of banks.

The way to accelerate the growth of the economy is to stimulate the demand for goods. When demand presses hard upon productive capacity, that capacity is used and industry takes steps to increase its capacity. Pressure of demand upon capacity tends to produce creeping inflation, but this pressure is necessary to attain the maximum rate of growth. Thus creeping inflation is part of the price that we must pay to achieve maximum growth.

The new economic competition of Russia requires that the United States reconsider and reevaluate its fundamental economic policies, that it make the central objective of these policies the achievement of our full growth potential rather than the stabilization of the price level. If Mr. Khrushchev forces us to make maximum growth the primary objective of our economic policy, he will have done this country a great service.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The inflation fear continues to have its effect on the market for Government obligations. This is evident in the fact that the only important interest in these securities is in those issues that have a near-term maturity. The fact that the Treasury had to make a fast offering of 217-day bills in order to meet the cash payments of the February refunding proves that holders of maturing obligations are not going to take issues that do not meet their needs. It seems as though the tailoring job to meet the requirements of the owners of the securities that were coming due could have been done at the time the exchange offer was made.

Also, the fact that the Government, in spite of the favorable yield that was available in the refunding 3¾s and 4s, had to make a very large cash payment to owners of the February maturities, may mean that the Treasury is now paying the penalty for the lack of fiscal discipline, which can be charged almost entirely to the Congress.

More New Money Borrowing Required

The Treasury last week sold $1,500,000,000 of 217-day bills at an average yield of 3.293%, and thus completed the February refunding operation which resulted in a very sizable attrition, since more than 22% of the publicly held issues, or about $2,100,000,000, had to be paid out in cash by the Government. Because of this heavy demand for funds in the February refunding, it was decided to float a quick issue to cover the cash drain. If the attrition had not been so heavy the Treasury would not have been in the market for new money until sometime in April.

However, because of the large demand for cash among the holders of the February maturities, the Treasury not only had to meet the emergency with a fast new short-term issue, but also will again be in the market in the not distant future, most likely in April, for new money in order to meet the deficit of the Government.

The rate which the Treasury received on the new 217-day bill, which matures on Sept. 21, but which can be used for the payment of taxes on Sept. 15, was favorable and was under the 3¾% rate for the one-year issue which was part of the refunding package. However, it is evident that the Treasury would have preferred to have had the refunding operation itself a first hand success, rather than having to resort to the "shot gun" method in order to get funds to meet the needs of those owners of the maturing obligations who were not interested in the securities that were offered to them.

New Bills Attractive to Banks and Corporations

The fact that the 217-day issue was well taken seems to prove that the demand is still very strong for short-term obligations, and there are no indications that there is going to be a change in this trend in the foreseeable future. Certainly, not as long as the inflation pressure is so great and the belief is widespread that this will bring with it higher interest rates and an increasing demand for money and credit.

However, because the tax and loan account of commercial banks was used to make payments for the 217-day Treasury bill, this added to the attractiveness of the special offering by the Government.

Also, the maturity date was favorable to those that have income taxes to pay in the fall, and this was one of the important reasons why most of these bills found their way into the hands of corporations. To this extent, there will not be an increase in the money supply nor will new deposits be created, which means there will not be added pressures as far as the inflation psychology is concerned.

It would be a very favorable development if the Treasury were able to sell long-term bonds to the ultimate investor since this would not only mean less frequent trips to the money market, but also it would take a good deal of the inflation fear out of the security markets.

Heavy Losses Suffered by Long Bond Investors

The market for Government bonds continues to be narrow, which means that aside from a rather limited demand from specific pension funds and a few institutional investors, there is not very much interest in the more distant maturities of Treasury obligations. As a matter of interest, there appears to be a rather negative attitude towards Government bonds among those that have been buyers in the past and could make purchases of them at this time.

It is evident that very few profits and, in most cases, sizable losses have been taken by those that have been buyers of Government bonds since last June. This is not a very impressive record and certainly is not building confidence in what should be the best bond in the capital market. Until something is done to change these conditions, the Treasury is going to be confined mainly to short-term issues in its financing.

Joins Amos Sudler Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Lloyd J. Harty Jr. has become connected with Amos C. Sudler & Co., 818 17th Street. He was previously with J. F. Reilly & Co.

Scherck, Richter Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — David P. Baran has been added to the staff of Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange.

G. A. Kuhnreich Co. Formed

G. A. Kuhnreich & Co., Inc. has been formed with offices at 450 East 63rd Street, New York City to engage in a securities business.

2 With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Carl A. Stone, Sr. and Edward J. Wells have become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Both were formerly with McCormick & Co.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Todd Baldwin has been added to the staff of Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges. He was previously with Harris, Upham & Co.

Forms Paramount Planning

FLUSHING, N. Y.—Harold Greene is engaging in a securities business from offices at 169-64 Twenty-Fifth Avenue under the firm name of Paramount Planning Company.

Continued from first page

As We See It

Mikoyan in this country a few weeks ago, boils down to this: (1) There can be no Utopia—such as the envisioned Marxian communist society—without abundant production, far more abundant than anything known up to this time in Soviet Russia; (2) that production at such a rate can be achieved only by hard work on the part of all; and (3) that such earnest and persistent effort on the part of the rank and file can—at least in this stage of economic development—be achieved only by carefully preserving incentives. Of course, in the view of all good Marxists, the state in the preliminary stage of socialism (better termed state capitalism) is the director, the manager and the driver of all, but the state if it is to succeed must, so says the newly arrived theoretician of the Soviets, recognize these basic principles of capitalist society and make full use of them.

Khrushchev Is Right

Of course, Comrade Khrushchev is right, and his recognition of these truths and his determination to make full use of them in the years ahead should warn us of the vigorous competition that is likely to face us as time passes. Not only that, but his adoption of our own former maxims should suggest that we look to our own philosophies and policies, which have been tending to move in the other direction of late years, if we are to avoid being outdone. Naturally we have not openly disavowed our belief in such basic doctrines as these which are now a part of Marxism-Leninism-Khrushchevism. That is to say we as a people do not think of ourselves as having discarded such sound principles. The fact is though that actions speak much louder than words in this very real world in which we live.

Our politicians and other leaders of popular thought still have a good deal to say about incentives. They are in the habit of suggesting this, that and the other legislation, tax system, and all of the rest designed to provide incentives of one sort or another. But—and this is a very big but—more and more we forget that the very best incentive of all is to permit the enterprising and energetic individual to keep what he can honestly earn rather than pay it out in taxes or see it fade away in the wake of inflation. More than that, we persist in creating arbitrary incentives which lead to the application of men and resources to the production of things which are not wanted or needed. Farm subsidies, or the equivalent, are a shining example, but not the only one.

Nor is this the full story. By making it unnaturally easy for the rank and file to borrow money with governmental support, we encourage the notion that there are ways of getting what is wanted without the expenditure of great energy to get it. Very nearly everything that could be thought of has been done and is being done to encourage the growth and spread of labor unionism whose leaders make it a profession to find ways and means of getting more and more for their membership for less and less work. It is no less than remarkable that our so-called free economic system has continued to function as well as it has during the past two or three decades. It would be hazardous in the extreme to assume that it can continue indefinitely to do so.

We Can Do It if We Will!

For our part, we have no lack of faith in the ability of a free economic system to outdo anything that Comrade Khrushchev and his cohorts can contrive—provided our system is really a free economic system left to manage itself and to reap the rewards of its own initiative, energy and effort. As a matter of fact, the current-day theoretician of the communist world again showed his realism when he warned the comrades that the communist Utopia about which they have heard so much is a long, long way off. From what the outside world is able to learn of Comrade Khrushchev's analysis of the future of the Soviet peoples, he is not quite certain in his own mind whether in point of fact it will ever come in the form that so many had been taught to expect it. Its arrival will be gradual and extend over many years in any event, and the plenty promised is to be at best an abundance of the things that the state, far from withering away, decides is best for the individual.

These are things for those peoples outside of the circle of socialistic slavery, but disposed to expect miracles of it, to think about. There are those in this country, too, who would profit by much more careful analysis not only of what has taken place in Russia and China, but what is in store for these peoples in the future if their own bosses know what that is. There are, of course, imperfections in all systems and always will be so long as they are devised and operated by human beings. But we submit that our system of free enterprise is infinitely superior to any other system yet devised or imagined, and that our system is not strengthened or made freer of defects by imitation of any other system.

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Keeping the Store Open

the general price level registered a substantial decline.

During the 1953-54 recession, which in terms of industrial production was more severe than its predecessor, the general price level showed almost no change.

During the 1957-58 recession, which was the sharpest of the three postwar dips, the wholesale price index actually rose; and the index of prices paid by consumers advanced even more. This was surprising to most people — like watching an Indian fakir's rope rising out of a basket!

This increasing resistance to economic conditions which the wage-price spiral has shown should be a matter of grave concern to all of us.

Three Effects

The effects of inflation come in three waves:

In the first, inflation may even seem pleasant. People may talk about "a little inflation being a good thing." With more money in circulation, an economic era of good feeling takes hold for a while.

In the second wave, capital begins to be consumed. This, too, may seem to be a pleasant time—since we experience an illusion of profits.

In the third wave, inflation begins to feed on itself. It begins to snowball in its effects and, at the runaway stage, little can be done by business or government to check it.

The effects of inflation on the livelihood of retired persons, on individuals living with fixed incomes, on the value of insurance policies, savings accounts, and the other economic safeguards of an American citizen's future, are disastrous.

To the businessman, the sinister effect of inflation is that it distorts the accounts of business firms; creates an illusion of profitable operation; and eats up capital. Coupled with out-of-date government policies on depreciation, this imposes a serious disability on American business.

This aspect of our problem was recalled to me when an ore-carrying vessel recently was lost in a bitter storm on the Great Lakes. It was a terrible tragedy and it cost many lives. The boat was built 30 years ago, at a cost of $1,800,000. At the time of its loss, it had been depreciated to $502,000. Yet to replace that vessel in kind today would cost $8,000,000!

Even more dangerous in the long run can be the self-feeding course of inflation — the threat that "creeping inflation" can become "runaway inflation." We have evidence of this in a fine neighbor nation, Argentina, where inflation is in its "acute stage" today.

A Chevrolet or a Ford in Argentina is priced at $25,000. Prices continue to soar on all imports. Coffee has doubled in price during the past month. Beef at retail rose 20% in one day recently and $5-a-pound stewing beef is not uncommon. Trading in the peso is frantic. This unit of money recently dropped from 42 to the dollar to 77. Speculation in "hard currencies" is rife, as people try to protect their savings in one way or another.

An increase of 30% in the cost of living is indicated in Argentina for this year alone. Behind the price increases is a 50% general wage increase decreed by the new president when he took office in May—plus the continuing printing of money. The government's revenues no longer cover the cost of the huge Federal civil service. There at 1,800,000 persons on public payrolls in Argentina — out of a total population of only 20 millions. The nation's treasury is being drained by government trading in grains and meat, and the deficits of the state-operated enterprises like the railroads which alone will lose 12 billion pesos this year.

The happenings in Argentina reveal the historic pattern of inflation. If Argentina has been hit so hard, we can have no guaranty—since the laws of economics have not yet been repealed—that it cannot happen here.

We should not be misled by the present lull in economic activity and in what may appear to be a lessening of inflationary pressures. I believe that the present industrial "overcapacity" is just the tightening of a coiled spring. When competitive pressures resume in a period of rising demand and capacity operations, it is plain as a pikestaff that, if wage pressures continue, they will inevitably force prices upward again.

I believe that it is important to point out that big labor plays an important part in the wage-price spiral and in inflation, in three principal ways. First, it obtains a succession of wage increases too large to be met out of rising productivity. Second, cost-of-living clauses in many union contracts convert advances in consumer prices into further labor costs. Third, limitation of output, in one form or another, is practiced in many industries and this, too, makes a vital contribution to inflationary pressures by holding down productivity increases.

The warning against inflation is being sounded now almost daily. Bernard Baruch, the famous "adviser to presidents," said recently:

Our Indifference

"It seems to me that we Americans have grown indifferent to the crucial issues confronting us — issues which will govern our future and our children's future. I meet so many people who have lost, if they ever had it, the capacity for indignation.

"The public's attitude toward inflation illustrates this point," Mr. Baruch continues. "Inflation is a cancer which is eating away at our economic and financial health. It is undermining our security and our spiritual strength as well. It is responsible for much of the burden of taxation we bear; for the swollen prices we pay; for the debt with which our government is saddled; for the devalued savings of the little people who suffer most from it. Allow this malady to run unchecked and it will impoverish a people and destroy a nation."

In an editorial in the Scripps-Howard newspapers within the past few days, the following appeared:

"Where is the public leader with the ability to rally the people, who is willing to make inflation an issue? As Lincoln made saving the union an issue? As Bryan made free silver an issue? As FDR was able to arouse the public with his New Deal?

"What choice do the people have, other than indifference, when the leaders of the two major political parties, election after election, simply try to outbid each other along the same general lines? What choice is there when big government spending is the program of both sides? Where is the leader who can dramatize spending and the debt, in terms of the cost of living, and rally the people until they force a change?"

And in our own industry, the problem of inflation has been recognized for a long time. Two years ago, the Chairman of United States Steel Corp. in an address deplored the fact that we in America may have "adopted inflation as a way of life."

Have we reached the point of no return on our road to inflation? Have we permitted our economy to drift along too far? I for one do not believe that it is too late for action. First, of course, comes honest recognition of the problem. Blame-placing and finger-pointing do no good; we are all to blame in one degree or another.

It is going to take the will and the work of all of us to stop inflation and to turn our economy around into its traditional patterns of freedom and growth.

Foreign Competition

Just in case we forget, competition from abroad—ever growing in its breadth and scope — may forcibly remind us that we have to take positive steps to keep the store open. We might be able to work out our problems, somehow, in spite of inflation, if we lived in a world by ourselves. But we don't—and it is a surging, changing, aggressive world outside our doors.

Now foreign competition is not a brand-new thing to us. What is new is the resurgence of industry in the free world and the fact that American industry is pricing itself right out of the world market in some lines.

"Western Europe seems to be riding the private enterprise road out of the woods," said Ernest Breech, Chairman of the Ford Motor Co., in Pittsburgh recently.* He had just returned from a six-week inspection trip of the Continent. "I think all of us have reason for both pride and satisfaction in this," Mr. Breech said. "Europe's recovery has been a major goal of this country. That job appears to be just about done. It has been done not only by government aid, but with substantial help from American business. We have literally opened our Pandora's Box of industrial secrets and turned it inside out for our European friends."

But there is no question that the growing produstivity of the free world poses new problems for us. To the American this comes home as he dodges Fiats, Renaults, and Volkswagens when he tries to cross the street. If these do nothing else, they dramatize the fact that the lucrative 10% of our auto sales is being creamed off by foreign competitors. And it shows that our competitors have accomplished the goals they set out to reach; to give their American customers the products — in design, quality, and price—which they seem to want.

Competition from abroad in American markets is becoming increasingly severe in other areas, too. From Japan we have cameras, radios, field glasses, tableware, and textiles. We have machine tools from the Continent, along with steel products, wire, merchant bars, tool steels, and electrical apparatus. Eye - glass frames are being imported from Italy in increasing volume. Our carpet industry is facing trouble

*Ed Note—See *Chronicle*.

as imports from abroad continue their sharp rise.

And on New York's Fifth Avenue, the famous home of Saks, Bergdorf-Goodman, and Bonwit-Teller, the largest department store in Japan has just opened an attractive three-story retail outlet. And the customers have been standing in line to get in!

The growing output of foreign manufacture, the end of the period of shortages since World War II, and the aggressive world-wide selling of the young new free world industries, have made it possible for new goods in wide variety and excellent quality to come into the United States. So hard-pressed have certain American industries become that I am certain that within the next few years we will see a concerted move on the part of labor unions, traditionally tied with free trade philosophy, urging higher tariffs!

How about our ability to compete in foreign markets? A study just published by the Conference Board reveals that, though our nation's foreign trade has increased somewhat in recent years, it nonetheless, for one reason or another, has failed to keep pace with general developments in world trade. As a seller in the international market place our country has barely held its own—and in many areas is pricing itself out of the market.

Lower Unit Costs

The survey shows that the principal advantage enjoyed by foreign competitors is the lower unit cost of labor. This usually gives the foreign manufacturer a substantial edge over his American competitor and it enables the foreigner to overcome the higher material costs that prevail in certain areas.

Our nation's impaired ability to sell steel in foreign markets was brought home to me recently. The India Supply Mission sought to make certain steel purchases here. Prices bid by American steelmakers ranged from $242 to $291 per ton. The Japanese bid was $99.98 per ton. Want to guess who got the order from India?

We certainly do not want to pay American steelworkers the 41 cents an hour that Japanese steelworkers receive. Nor the 70 cents they get in West Germany; the 89 cents they get in England; and the 69 cents they receive in France. Just compare the total increase in labor rates taking place in the three years of our present contract with these figures!

I am certain that it is in the best interests of every American steelworker and his family that our industry and our nation become more competitive in world trade. The world marketplace provides an immediate challenge for our ingenuity, our skills, and our inventive ability.

There is no doubt that foreign competition will become increasingly severe. The European Common Market is still in its formative stage but it is already a matter of concern for the future to important segments of American business. The dominating cost determinant in the European Common Market is the labor cost advantage, of course. But this market enjoys another advantage, that of lower comparative material costs, an advantage that some of our foreign competitors do not have. With this double-edged sword, the European Common Market will prove to be an even more serious problem for us than other areas.

And while I join my friends in Buffalo in their pride at the new St. Lawrence Seaway, I can't help but feel that this magnificent waterway isn't going to make things tougher for our foreign competitors to bring goods here to the customers we both want.

Our Out-of-Date Tax Laws

Only improved productivity and greater mechanization, resulting from greater capital investment, will help American firms overcome the advantages presently enjoyed by their foreign competitors. Where the amount of capital-per-employee is substantial, American producers can compete favorably. As the relative amount of capital-per-employee diminishes, the competitive advantage shifts to the foreign manufacturer.

Our out-of-date tax laws now impair our industries' ability to renew their capital strength, by obsolete depreciation rules. A change in these laws is vital—and it is something that many persons, in and out of business, have been urging for some time.

What are we doing to improve American industry's vital situation in the amount of capital-per-employee needed to make us more competitive in world trade? Not enough! There is an enormous need for modernization of the American industrial plant — a modernization which our foreign competitors are still going full-steam ahead on, with our help!

A survey by the McGraw-Hill Publishing Co. shows that a large proportion of United States manufacturing capacity is obsolete. This in spite of the 50% increase in capacity we have had since 1950. Nearly half of all manufacturing facilities now in place in the United States were installed prior to December 1945. Another fifth was installed between 1945 and the end of 1950. Less than one-third is modern in the sense of being new since 1950. And as Mr. Breech pointed out, since 1950 Europe's economy, and particularly its industry, has been overtaking us at an accelerating pace. In the period 1950 through 1957, Europe's Gross National Product increased 38% compared to our 49%.

The McGraw-Hill survey shows that the total cost of modernization still to be done in American industry is about $95 billion. Just think what this would mean, if we embarked on the program quickly and energetically, to the future of American prosperity and to the improvement of our nation's ability to compete in world trade!

Threefold Solution

What positive steps can we take to overcome the problems with which we are faced?

First, it is imperative that we make substantial improvements in our productivity and moderate our wage cost increases. At this point I would urge the leaders of our labor unions to exercise restraint in wage demands. Though I have a full realization of the pressures that are on them, union leaders can honestly tell the employees they represent and the public that the American industrial worker today enjoys a higher standard of living than his counterpart elsewhere in the world.

Second, we must revise our tax laws to encourage capital investment by permitting accumulation of sums necessary to replace equipment in kind.

Third, we must amend the Full Employment Act, as several economists have correctly suggested, to make stability of the consumer price level an explicit and solemn objective of the nation's economic policy.

We can and will find ways and means to reduce our costs, or conversely, to increase our productivity. We are working on this problem every day in our industry. We will do it by incremental improvements in old equipment, increasing its capacity and making its operations faster and better; and by introducing new processes and new machinery.

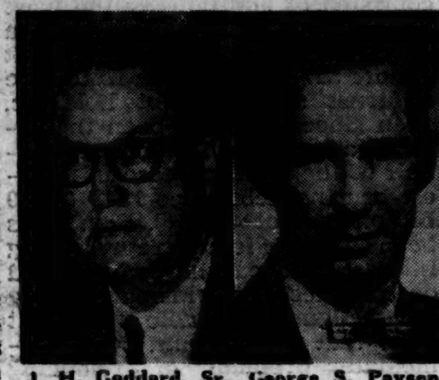
And we will do it by applying some of the techniques we heard about here today.

At the same time, we must be constantly alert to minimize and prevent further inflation. This is the only real defense we have in meeting competition from abroad, which is ready to supply the store across the street at prices we cannot meet.

Keeping the store open obviously is no simple problem. But it can be done and, of course, it must be done. It will take all our energies, all our time, and all our devotion.

New Officers Named By NASD Dist. No. 13

BOSTON, Mass. — James H. Goddard, President, J. H. Goddard & Co., Inc., Boston, was elected Chairman of District Committee No. 13 of the National Association of Securities Dealers which comprises the states of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. Mr. Goddard succeeds William H. Claflin, III, of Tucker, Anthony & R. L. Day, Boston. George S. Payson, Partner, H. M. Payson & Co., Portland, Me., was elected Vice-Chairman.



J. H. Goddard, Sr. George S. Payson

Prior to a change in boundaries of some of the association's districts last year, this district was known as No. 14, comprising the same states. Francis C. Doyle, with the NASD office in Boston, is Secretary of District Committee No. 13.

Now With Henry Swift

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Vernon C. Mingham has become associated with Henry F. Swift & Co., 490 California Street, members of the Pacific Coast Stock Exchange. Mr. Mingham was formerly with First California Company and prior thereto was cashier for Mason Brothers.

Two With L. A. Huey

(Special to The Financial Chronicle)

DENVER, Colo.—LeRoy E. Cox and Paul M. White have become connected with L. A. Huey Co., Equitable Building.

Joins French & Crawford

(Special to The Financial Chronicle)

ATLANTA, Ga. — Frank M. Maloof has become connected with French & Crawford, Inc., 68 Spring Street, Northwest.

Southern States Adds

(Special to The Financial Chronicle)

ATLANTA, Ga. — Benjamin E. Downs has become affiliated with Southern States Securities Corporation, 1182 W. Peachtree Street, N. W.

Blunt Ellis Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Don M. Bird has been added to the staff of Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest S. E.

With E. F. Hutton Co.

(Special to The Financial Chronicle)

CHICAGO, Illinois—Vincent L. Lampert is now affiliated with E. F. Hutton & Co. He was previously with Harris Trust & Savings Bank.

Clifton W. Wilson

Clifton Wyckoff Wilson passed away February 14th at the age of 66. Mr. Wilson was a partner in Fahnestock & Co., with headquarters in Hartford, Conn.

Public Utility Securities

By OWEN ELY

New England Gas & Electric Association

New England Gas & Electric is an integrated holding company controlling subsidiaries which serve Cambridge, Plymouth, New Bedford and 42 other communities with either electricity or gas, or both; and Somerville, Worcester, Framingham and the Hyde Park district of Boston with gas. All operations are in the state of Massachusetts, the Maine and New Hampshire properties having been sold in 1954. About 54% of revenues are from electricity, 44% from natural gas and 2% from steam heating (the latter being served to Harvard University and other Cambridge customers).

While New England is not a rapid growth area, NEGEA serves some good growth areas such as Cape Cod and revenues have doubled over the past decade. The most rapid growth has been in residential gas heating, sales having more than quadrupled since 1959 and doubled in the past five years.

While NEGEA's area (especially New Bedford) has suffered from the exodus of textile companies to the south it has also been attracting and originating many new industries, such as plastics and electronics. In Cambridge the Massachusetts Institute of Technology completed an experimental reactor last year and in collaboration with Harvard University has been constructing an electron accelerator. Both these installations, which are being built in cooperation with the AEC, should use large amounts of electric power.

The territory is more resistant to recession effects than areas which depend on heavy industries. In Cambridge about one-fourth of the industrial load is sold to educational institutions, which are not subject to business fluctuations, and diversification of industry in this and other areas cushioned the impact of the decline a year ago. To meet growing demands for electricity in Cambridge a new 30,000 kw generating unit went on the line last fall.

The company generates about seven-eighths of its electric output. Due probably to resort business three subsidiaries—New Bedford, Plymouth County and Cape & Vineyard—have summer peaks, while Cambridge with its university atmosphere has a winter peak. On Cape Cod, of course, the summer population is larger than the winter. Electric revenues are well balanced—about 37% residential, 24% commercial and 28% industrial.

NEGEA's steam generating facilities total about 230,000 kw, of which 48% was installed prior to 1946, 39% during 1947-52 and 13% in 1958. As a step toward greater efficiency the company has adapted its plants to use coal, oil or gas, depending upon availability, price and handling costs. In 1958, despite an increase in electric revenues, fuel costs were lowered about 5% and the cost of purchased electricity was also lower. Redesigned fuel clauses, permitting greater use of the most economical fuels, probably contributed to this showing.

NEGEA obtains its major supply of gas from Algonquin Gas Transmission Company in which it has a 34.5% equity interest. Algonquin Gas Transmission paid NEGEA interest and dividends of $350,000 in 1957, and in Feb. 1958 its dividend rate was raised from $5 to $6. NEGEA also maintains a very efficient manufacturing gas plant, currently used for standby and peak shaving purposes, which could probably almost compete as to unit cost with the pipeline supply if operated on a full time basis. Hall Henry, President of Negea Service Corp., has taken an active interest in developing manufactured gas technology and is considered an expert in that field.

The company has waged a successful campaign to obtain new gas heating customers, over 6,700 of which were added in 1957. About 43% of domestic customers now use gas for space heating and about 54% of gas sales are for this purpose.

The company enjoys good regulatory relations with the Massachusetts Commission. For example, Plymouth County Electric Company in Sept. 1957 requested a rate increase of about $252,000 to raise its return to about a 6.8% level. The case was most carefully presented, with the aid of experienced utility analysts, and the increase was allowed as requested in March 1958.

The company's accounting is simple and conservative. As of Dec. 31, 1957 the company's depreciation reserve as a percentage of gross plant account was 29%, the highest for any New England company (in fact Duke Power was the only large electric utility with a higher ratio). Deferred taxes, which are relatively small, are normalized and placed in a reserve. The company does not make use of an interest credit to construction. It has discussed setting up a normalizing reserve to avoid swing in earnings due to weather changes.

1957 operations, despite abnormally warm weather conditions, showed an increase in earnings of 6 cents due to active sales efforts and economies. In 1958 earnings increased 10 cents to $1.60 on average shares, gas sales being favored by cold weather. Share earnings of NEGEA have shown an average yearly gain of 5% or over in recent years, which while not quite up to the U. S. average represents a good showing for the New England area. The outlook for 1959 should be favorable due to the revival of business and the addition of new generating equipment, together with an improved power interchange which became effective last October. It appears likely that the steady gains in share earnings of the past five years will be continued this year.

The stock has been quoted over-counter around 22 recently affording a yield of 5% based on the increased dividend rate of $1.10. The price-earnings ratio is only 13.8 compared with the industry average around 18. With an equity ratio around 41% the company has not found it necessary to do any important equity financing since 1953, although the number of shares has increased moderately due to conversions of preferred stock, etc.

Walston Adds to Staff

(Special to The Financial Chronicle)

DENVER, Colo. — Gilbert P. Foster has been added to the staff of Walston & Co., Inc., Denver U. S. National Center.

Walter Nentwig Now With Associated Fund

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Walter Nentwig has joined Associated Fund, Inc., 506 Olive Street. Mr. Nentwig was formerly an officer of the Security-Mutual Bank & Trust Company with which he had been associated for over 35 years.

Continued from page 21

The Case for a Limitation On the Federal Debt

half of the fiscal year. This is shown by the figures for 1955 through 1959, in Table 1, which follows:

It is obvious that as long as this maldistribution of receipts continues, the Treasury will need to engage in temporary financing during the first half of the fiscal year. However, this temporary financing need not involve a permanent increase in the debt unless the year has closed with a deficit. The simplest method of temporary financing would be the sale of tax anticipation certificates during the first half, with maturities adjusted to the tax settlement dates of the second half of the fsical year. Such certificates have been frequently used. In July, 1958, $3,567 million were sold, due March 24, 1959 and receivable for taxes, due March 15, 1959. Under present rules they are, when issued, considered part of the public debt and counted within the debt limit. This is an unnecessary refinement of the debt limit concept. Tax anticipation certificates are, in reality, receipts for prepaid taxes. The companies and individuals who buy them in the months from July to December will surrender them in payment of taxes on the tax due dates from January to June. By June 30 these certificates will have been retired and cancelled with no effect on the debt total. This definition of the limit would have made unnecessary the annual temporary increases of the debt limit since 1954. All that is required is to disregard the month to month or day to day position of the debt and determine that the limit shall be effective and controlling as of June 30. This, in fact, is what has been done under the clumsy procedure of an annual authorization for a temporary increase.

The Treasury has again proposed to deal with the situation created by revenue imbalance by requesting and being granted an extension to June 30, 1960, of the authority to sell public debt paper directly to the Federal Reserve Banks up to a maximum of $5 billion. This authority, and the $5 billion limit, date back to 1942. It has been kept alive by successive two-year extensions. In a statement to the House Committee on Banking and Currency, Under Secretary of the Treasury for Monetary Affairs, Julian B. Baird, defended the request as necessary to "smooth out the effects on the economy of short-run fluctuations in cash receipts and disbursements."[5]

Under present rules, such borrowing would be subject to the debt limit. Under my proposal, temporary changes during the fiscal year would not effect the year-end debt situation. The British Treasury has a long and satisfactory record of temporary financing by short-term advances from the Bank of England. In contrast, Germany had a disasterous experience with compulsory central bank financing of the Hitler government's excesses. Conservative opinion in this country has always opposed Treasury borrowing directly from the Federal Reserve Banks because it is highly inflationary and it permits avoidance of the obligation to meet the test of market appraisal of the government's credit. Mr. Baird recognized the dangers of this policy in the following passage from his statement:

"It has been the Treasury's policy never to use this borrowing authority on other than a temporary basis and we have no intention of changing this policy. We recognize that we are dealing with powerful forces because selling obligations of the government direct to Federal Reserve Banks creates high-powered money, and it is for this reason we think the Treasury should make a biennial accounting to the Congress of the manner in which it has exercised this borrowing authority. The authority has been used, as the record shows, with great restraint, but it is the kind of thing that carries the possibility of abuse."

Tax anticipation certificates do not involve "high - powered money." They would be bought out of income tax accruals and hence would cause no increase of the money supply. Despite the eminent sponsorship of short-term financing through the Federal Reserve Banks, I suggest that we would be well advised to avoid procedures which, in Mr. Baird's words, "carry the possibility of abuse."

Applicability of the Limit. A second important practical question relates to the part of the debt to which the limit should be applicable. I propose that the limit be applied only to that part of the debt which is actually subject to control, namely, the debt in the hands of the public. I should say here that from this point on I am dealing with matters on which NAM has no official policy position, and I am expressing, therefore, only my own personal views.

The part of the debt not in the hands of the public is that which is held in the government trust accounts. The trust account balances have been built up by the excess of receipts over disbursements under the various pension, benefit, retirement, and compensation programs, and by the accruals of interest on these balances which is also represented by additional debt paper. The securities held in trust accounts consist mainly of nonmarketable special issues, but some 9% of the total holdings is in regular Treasury bonds, notes, and certificates.

My reason for excluding the trust account holdings from the debt limit is that this kind of debt is an inherent and unavoidable aspect of the trust fund concept, and that it tends to increase quite apart from anything that may happen in the area of the administrative budget. That is, it is impossible to establish a trust fund into which money collected from the citizens is to be paid without creating debt. The alternative would be to accumulate an immense hoard of actual cash, a process wihch would eventually deprive the economy of money needed to sustain business and personal operations. The growth of trust account debt holdings, plus interest compounded on the principal, would eventually pierce any debt ceiling.

Over the past decade the trust account holdings have increased much more than the public issues, as shown by Table 2.

From this record it is seen that approximately one-third of the **increase of interest - bearing debt from June 30, 1948 to June 30, 1958, has consisted of public issues.** The other two-thirds has consisted of additions to the trust accounts. It will no doubt be a surprise to many to learn that **almost $11 billion of the increase in trust account debt holdings, even since 1948, has been the interest accrual. In fact, almost one-half of the total increase in interest-bearing debt since 1948 ($10.9 billion out of $24.6 billion) has been special issues representing interest accrued and compounded on trust account principal.**

The figures in Table 2 make it clear that there would be no immediate problem of financing under a debt limit of $275 billion if it had not been for the policy of accruing interest on debt paper in the trust accounts. Excluding this item, the interest - bearing debt as of June 30, 1958, would have been some $264 billion, even with the principal of trust accounts included and disregarding the two or three billions of interest accrual prior to 1948. The requirement that interest be computed and accrued on debt paper in the trust accounts stems from the view that such debt paper is an asset and, as such, it must be presumed to "earn" interest. No business concern or individual would undertake to persuade anyone that their assets can be increased by accumulating their own promissory notes. I do not believe that the Federal Government can "throw" such a miracle. If the trust fund debt paper is not an asset it cannot "earn" interest, and the accrual and compounding of interest on it is self-deception.

I have pursued this idea a bit further in a paper published about a year ago, in which I asked the question: "What would happen if all of the debt paper in the trust accounts were, in some mysterious way, to disappear?" The answer I reached was that nothing whatever would happen to the rights of beneficiaries under any program to receive the payments as specified by substantive legislation. The conclusion was, therefore, that since this debt paper does not assure or protect beneficiaries it could, for all practical purposes, be nonexistent.

In proposing that the debt limit be applicable only to the debt in the hands of the public, it is understood that this limit would be adjusted to that debt level. For example, the really functional debt limit, as of June 30, 1958, would be set in relation to a publicly held debt of some $228 billion. I repeat that the objective of a debt limit is to control the volume of debt arising out of ordinary budget operations and over which it is possible, by prudent fiscal policies, to exercise control. This is not possible in the case of trust funds as long as the total receipts under the various trust fund programs continue to exceed the disbursements, and it is futile to consider any kind of debt limitation which involves elements of debt increase that are not controllable.

In this connection I would suggest a ratchet-like control whereby every reduction of debt out of surplus revenues would lower, by so much, the effective debt ceiling.

Some Collateral Issues

I conclude by examining briefly some collateral matters which, taken alone, would appear to support the case for a more or less continuous increase of debt and hence, to be hostile to a debt limit.

A debt limit would hamper Employment Act objectives. This argument is related to the compensatory spending, or cyclical budget balance doctrine, mentioned above. That doctrine assumes the government to be obligated, by the Employment Act, to borrow and spend whatever amounts may be necessary to maintain maximum employment at all times. In the hearings on the Economic Report before the Joint Economic Committee in January, 1958, Dr. Ralph J. Watkins, of the Brookings Institution, suggested that the real culprit to be blamed for the recession might have been the debt ceiling which, in his view, compelled a reduction of defense spending in the second half of 1957. The total decline of such spending from the first half to the second half of calendar year 1957 was only $700 million, or 1.8% of the year's total defense spending, certainly not an impressive shrinkage. Dr. Watkins later explained that he regarded the debt ceiling as one of the indirect causes and he agreed with other panel members that military expenditures should be based on the security need, and should not be made or considered as a means of stabilizing the economy.[6] From this panel judgment it would appear that there would be no merit in lifting the debt ceiling to permit larger defense spending, if the only purpose were to prevent a recession.

The Employment Act of 1946 has acquired great prestige as a policy statement, due in part to the inclination of advocates of particular policies to construe it in support of their objectives. The general impression appears to be that the Act commits the government to provide maximum employment, production, and purchasing power. In fact, the Act goes no farther than to declare that the Federal Government acting in conjunction with state and local governments and the private economy, shall use all practicable means consistent with its needs and obligations and other essential conditions of national policy, to create and maintain conditions under which there will be afforded useful employment opportunities, including self - employment, for those able, willing, and seeking to work. The Act nowhere says that the government shall engage in boondoggling or other wasteful spending, nor that it shall retain a crushing burden of taxation, nor that it shall resort to devastating inflation.

There are other missing links. A man who is willing to work but is not willing to join a union and submit to the dictatorship of a labor boss to get and hold a job is beyond the pale of the Employment Act, which does not recognize a free and unrestricted "right to work." This Act is usually interpreted and applied to underwrite the high, rigid wage structure which, in a recession, causes workers to be priced out of the market. Under the panicky state of mind that a recession tends to induce, the Congress is likely to approve proposals for a large increase of spending, despite the clear evidence from the record that some of the money will be spent wastefully or at a later time when the problem will again be the control of inflation.

I have indicated above that, in my view, the logic underlying the President's endorsement of tax rate reduction in his 1958 budget message as unassailable. If this logic had been followed by definite action along the lines of the Sadlak-Herlong Bill, I am convinced that there would have been a much smaller volume of anti-recession appropriating, a more moderate deficit, and a diminished risk of further inflation.

An expanding economy needs more debt because it will need more money. There can be no question that a larger money supply will be needed as the nation increases its output of goods and services, if the price level is to remain fairly stable. The government could provide part of this increase by printing more Greenbacks, which are not presently included within the debt limit. It could also increase the metallic currency, but the silver and other metals cannot be manufactured into coins until these materials have been purchased; and if this should occur under deficit conditions the cost would be reflected in increased debt. Any excess of currency above ordinary needs will not stay in circulation, but will return to the banks. Thus, the principal source of additional money supply must be the commercial banks, which expand their deposit credits by making loans and investments.

The particular aspect of this matter that is germane here is whether or not an increase of the public debt would be necessary to supply part of the asset base which would support a larger volume of bank deposits. In other words, will it be necessary, as the economy grows, to increase the public debt, not because of ordinary budget requirements, but for the purpose of maintaining a supply of marketable debt paper sufficient to accommodate the Federal Reserve Banks in the exercise of their money and credit control operations. Public debt paper enters into these operations in two ways: first, it may be used as collateral security for Federal Reserve notes and second, it is the principal commodity bought and sold by the Federal Open Market Committee in its regulation of the volume of member bank reserves. While government debt paper is a convenience instrument for these purposes, it is not an indispensable one. The law has always permitted the use of other collateral as security for Federal Reserve notes, and during the first 19 years of the Federal Reserve System, government debt was not eligible as such security. Again, while it is convenient for the Federal Open Market Committee to deal in Treasury bills, these are not indispensable to the Committee's operations. The same effect on member bank reserves can be produced by open market operations in any other kind of marketable asset, public or private.

A deliberate increase of the public debt merely to cause an expansion of the money supply would be permanently inflationary. It would be one of the weakest possible reasons for eliminating the debt ceiling. On the other hand, an increase of private debt pari passu with the growth of the economy would be inflationary only if central bank control over

5 "Statement of Julian B. Baird before the House Committee on Banking and Currency on H. R. 12586, June 12, 1958."

6 *Hearings before the Joint Economic Committee on the January, 1958 Economic Report of the President*, pp. 467, 479, 481.

TABLE I

Budget Receipts, Expenditures, Surplus or Deficit, by half-years Actual for Fiscal Years 1955-1958, and Estimated 1959

(Billions of Dollars)

	1955		1956		1957		1958		1959	
Fiscal Periods	1st	2nd	1st	2nd	1st	2nd	1st	2nd	1st	2nd
Receipts	22.3	38.1	25.3	42.9	28.1	42.9	29.3	39.8	30.8	43.6
Expendit'r's	31.6	33.0	33.1	33.4	33.8	36.6	36.1	35.8	36.9	37.0
Surplus (+) or Deficit (—)	—9.3	+5.1	—7.9	+9.5	—5.7	+7.3	—6.8	+4.0	—6.1	+6.6

SOURCES: *Hearings before the Senate Committee on Finance on Debt Ceiling Increase*, pp. 10, 11, and "Monthly Statement of Receipts and Expenditures of the United States Government for the period from July 1, 1957 through June 30, 1958."

TABLE II

Interest-bearing Debt, by Major Classes, June 30, 1948 and June 30, 1958

(Millions)

Category	June 30, '48	June 30, '58	Increase
Total interest-bearing debt	$250,063	$274,698	$24,635
Public issues	219,852	228,452	8,600
Special issues to trusts accounts	30,211	46,246	16,035
(Interest accrued to trust accounts since June 30, 1948 and included in the increase of holdings since that time)			(10,922)

SOURCE: *The Treasury Bulletin*, various issues.

credit expansion were impaired through political action or if this control were unduly subject to the error that lurks in all human decisions. If we assume freedom from external interference and a reasonable accuracy of central bank judgment, private debt expansion would be continuously adjusted to the growth needs of the economy and hence would not be inflationary.

Economic growth depends on increase of debt. This is as simple and as inevitable, as the balancing of every credit by a debit. It does not follow, however, that the achievement of economic growth involves or requires a continuous increase of the public debt.

In this discussion I am not arguing for any specific debt limit figure to be absolute and binding for all time. I have sought, rather, to state the case for the principle of debt limitation, under which the limit would be realistically defined; would be tight enough to contribute significantly to prudence in fiscal management, with respect both to the control of spending and the moderation of excessive tax rates; and would sustain investor confidence in the intention and the ability of the government to prevent inflationary erosion of the dollars invested in the public debt. An honest debt limit, honestly lived up to, is an instrument of policy for the realization of these purposes that we cannot afford to neglect or abandon.

NASD District No. 2 Elects Officers

SAN FRANCISCO, Calif.—Merl McHenry, Partner, J. Barth & Co., San Francisco, was elected Chairman of District Committee No. 2 of NASD which comprises the states of California and Nevada and the Territory of Hawaii. He succeeds Robert C. Hill, Executive Vice-President, Hill, Richards & Co., Los Angeles. Ralph E. Phillips, Jr., Partner, Dean Witter & Co., Los Angeles, was elected Co-Chairman.

D. J. Conway, with the NASD office in San Francisco, is Secretary of the committee.

Maynard Adds to Staff

(Special to The Financial Chronicle)

FREEPORT, Ill.—Philip L. Roberts has become connected with Myrl D. Maynard & Co., State Bank Building.

With W. C. Pitfield & Co.

W. C. Pitfield & Co. Inc., 30 Broad Street, New York City, underwriters and distributors of Canadian securities, announced that William H. Naylor is now associated with their firm.

Cohen, Simonson Office

GREAT NECK, N. Y.—Cohen, Simonson & Co. has opened a branch office at 167 Middleneck Road under the management of Arthur M. Irwin.

Whitney, Goadby Branch

GLEN COVE, N. Y. — H. N. Whitney, Goadby & Co. has opened a branch office at 5 Glen Street under the direction of William Rand.

Now Ungerleider, Goetz

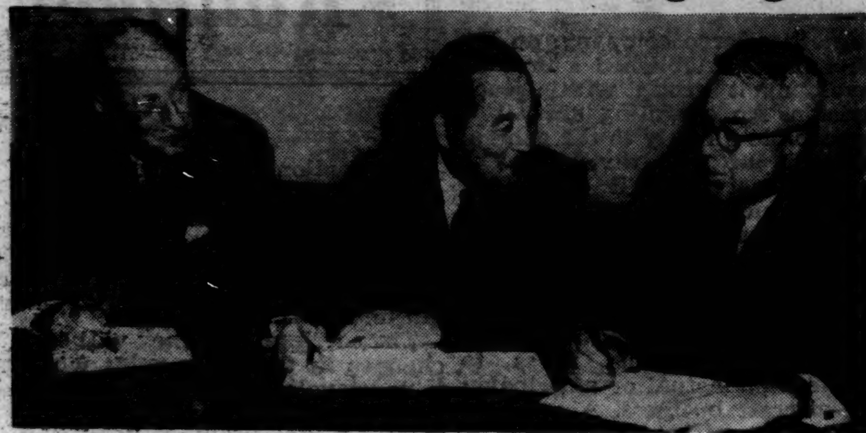
The firm name of Ungerleider & Company, 120 Broadway, New York City, members of the New York Stock Exchange, has been changed to Ungerleider, Goetz & Co.

Form R. F. Bell Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—Robert F. Bell & Co., Inc. has been formed with offices at 1656 Lenox Avenue. Robert F. Bell is President, and J. H. Bell, Secretary-Treasurer.

Japan Effects $40 Million Financing Program



Koichiro Asakai, Japanese Ambassador to the United States, Eugene R. Black, President of the World Bank (L.) and James Coggeshall, Jr. (R.) President of The First Boston Corporation, sign agreement for $30,000,000 in bonds to be sold in the United States and a $10,000,000 loan from the World Bank.

Japan has arranged to borrow the equivalent of $40,000,000 in a combined operation consisting of a public offering of $30,000,000 of external loan bonds on the New York investment market and the signing of a $10,000,000 loan from the World Bank.

A syndicate of underwriters headed by The First Boston Corporation is offering $15,000,000 of 15-year bonds; and Japan is offering $15,000,000 of three, four and five year bonds, with The First Boston Corporation acting as financial adviser and offering agent. The World Bank is agreeing to make a loan equivalent to $10,000,000 in various currencies to the Japan Development Bank, a government agency.

The bond issues being offered consist of:

$3,000,000 Three Year 4½% External Loan Bonds, due Jan. 15, 1962, priced at 100%.

$5,000,000 Four Year 4½% External Loan Bonds, due Jan. 15, 1963, priced at 99.12%.

$7,000,000 Five Year 4½% External Loan Bonds, due Jan. 15, 1964 priced at 98.92%.

$15,000,000 Fifteen Year 5½% External Loan Sinking Fund Bonds, due Jan. 15 1974, priced at 98%.

The purpose of the borrowings is to provide part of the funds needed by the Electric Power Development Company, Ltd. (EPDC) for its Miboro hydroelectric power project. Japan will add the net proceeds of the bond issues to its foreign exchange reserves and will lend the yen equivalent to the EPDC, while the Japan Development Bank will re-lend the proceeds of the World Bank loan to the company.

The bonds are direct obligations of Japan, and principal and interest will be payable in New York City in United States currency. The three, four and five year bonds are not redeemable prior to maturity. The 15-year bonds are not redeemable prior to Jan. 15, 1969, except through the operation of the sinking fund. The sinking fund provides for semi-annual payments commencing Jan. 15, 1964, calculated to retire 95% of the issue prior to maturity.

The World Bank loan is for a term of 25 years and bears interest of 5¾% including the 1% commission which is allocated to the bank's special reserve. Amortization will be in semi-annual installments, commencing on March 15, 1974. The loan is guaranteed by the Government of Japan.

The Electric Power Development Company Ltd., almost wholly government-owned, was established in 1952 and is engaged in the construction and operation of a number of large-scale hydroelectric projects. EPDC sells its power wholesales to private electric utility companies.

With Merrill Lynch

(Special to The Financial Chronicle)

DAYTON, Ohio — Donald E. Kindle has become connected with Merrill Lynch, Pierce, Fenner & Smith Incorporated, American Building.

Dean Witter Adds

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Harvey J. Ferguson has become affiliated with Dean Witter & Co., Equitable Building.

Forms R. S. Livingston Co.

RIDGEWOOD, N. J.—Robert S. Livingston is engaging in a securities business from offices at 228 Emmett Place under the firm name of Robert S. Livingston & Co.

Securities Salesman's Corner

By JOHN DUTTON

Customer Cooperation

In order to achieve investment success it is necessary to work together—the salesman and the customer both must cooperate. About four years ago I made the acquaintance of a retired individual who asked me to go over his entire investment situation. This man had a farm from which he received a rental income that provided about one-half his living expenses; his home was fully paid for, and he had invested the balance of his savings in savings and loan shares, and a few very speculative common stocks.

The common stocks which he owned were not suitable for anyone that had reached retirement age. I remember our first visit. I spent about two hours with him and his wife. He did most of the talking. He told me of his son and daughter-in-law, his grandchildren, the income from the farm upon which his son lived, his ideas concerning the manner in which he wished to provide for his wife if his health failed, and some of his own convictions concerning what he considered to be a satisfactory standard of living. During this first interview I made notes and took a serious interest in his presentation of his goals and objectives. I also told him I thought that the TWO OF US working together could gradually better his investment position. I particularly stressed the point that his common stock holdings could be improved—he agreed to this.

During our second conference we sold 1,800 shares of a highly speculative stock which was paying no dividends. We replaced it with a mutual fund where the objective was generous income consistent with quality stocks held in the fund's portfolio. A second switch was later made from another very speculative non-dividend paying common stock and that investment turned out very well. The stock we bought increased in value over 100% within a year and the dividend was upped 50%.

Progress Is Made a Step at a Time

The mutual fund was paying him good dividends, and his other stock we bought had done well. After a year had passed I received a telephone call that he wished to see me. We initiated a gradual withdrawal of his savings and loan investments and these funds were placed in a diversified list of sound common stocks and mutual funds. We also invested a small amount in two speculative stocks for strictly price appreciation. This was to satisfy his desire for a little danger in his life as well as security. In accomplishing this change in his investments, I explained to him that I was fully aware of my responsibility and I was ready to make every effort in his behalf providing he was willing to work with me. He accepted the idea that it takes a good customer as well as a capable broker to make a success of handling an investment account.

Recently he telephoned me and said that he had figured out our results since we started doing business together. His principal increased 187% and his income, with the exception of the rent received from the farm, is over twice what it was when I met him four years ago. The past four years have been good ones for those who have bought common stocks, of course, and I am also aware that there are some investment records that will surpass this one. I am not relating these figures to imply that I should pat myself on the back because of this record.

My point is that during these four years not once has this customer refused to heed my suggestions and act upon them. Sometimes he has told me that he wished to sleep on something, several times I concurred in suggestions he offered to me, several times we made mistakes but not serious ones. Considering the overall situation it has been a good job and the client is very well pleased.

Something the Customers Should Understand

The customer that will receive the best service and the most interested and diligent cooperation of a capable broker or investment salesman, are those who give proper information about their affairs to him. Also, when they discover that he is qualified to advise them they should work with him and take his advice—only then will it be possible to "time" investments properly, and acquire the most suitable securities that will perform well. It takes considerable effort, study, and constant work to keep up with the investment scene. The successful investment broker and salesman cannot possibly function effectively if his customers constantly throw road-blocks in front of him. He is too busy to wear himself out with arguments. The customer should find his broker and work with him—then he will work for him.

V. K. Osborne Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Robert M. Kolodkin and Harvey Deutschman are with V. K. Osborne & Sons, Inc., 400 South Beverly Dr.

Skaife Adds to Staff

(Special to The Financial Chronicle)

BERKELEY, Calif. — Edith K. Hutcheson has been added to the staff of Skaife & Company, 3099 Telegraph Avenue. She was formerly with Murphey Favre, Inc.

Two With Bache & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Harold Gershen and Harold Greenspan have become associated with Bache & Co., 445 North Roxbury Drive. Mr. Greenspan was formerly with Walston & Co.

Two With Toboco & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Bennett D. Heiss and Harry W. Snow have become associated with Toboco & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange. Mr. Snow in the past was with Lester & Co.

With A. M. Christensen

(Special to The Financial Chronicle)

GLENDALE, Calif. — Rudolph C. Greipel is now with Christensen & Company, 1417 A Kenneth Road.

Three With P. Clements

(Special to The Financial Chronicle)

HOLLYWOOD, Calif. — Robert L. Cherry, Edward G. Mackie and Manon Manion have joined the staff of Patrick Clements & Associates, 6715 Hollywood Boulevard.

Arthur B. Hogan Adds

(Special to The Financial Chronicle)

HOLLYWOOD, Calif. — Harold A. Fimberg has been added to the staff of Arthur B. Hogan, Inc., 6705 Sunset Boulevard, members of the Pacific Coast Stock Exchange.

Right on Both Counts!

"The people who want this money (now included in bills before Congress) are very vocal and highly articulate. Many others think it can be held down. And it would be a part of good representative government if a substantial number of people would be a little more articulate about their opposition to all this spending.

"If we are overwhelmed by the people on the other side, they should be honest enough to say where the money is coming from to pay for these projects."—Rep. Charles A. Halleck (Ind.), House Minority Leader.

Charles A. Halleck

Yes, the people who want fiscal responsibility in Washington must make their wishes known as they all too often fail to do. If the problems of finding money were aired more fully it might stir some voters to action who now appear indifferent or inarticulate.

Continued from page 5

Diversification in The Aircraft Industry

of the apparently good market in structural steel.

Several other factors were present. First of all, existing steel companies had underway substantial expansion programs to more than cover unmet short-run demands. Moreover, surveys of business investment intentions at the time showed that most firms were curtailing their planned capital expansion programs for the next several years. Hence, the supply of structural steel was in the process of being expanded at a time when the demand was tapering off. This was not a desirable period for a firm to enter the business of manufacturing steel.

The productive capability required. The basic factors required for productive activity are plant and equipment, materials, manpower, and management organization. Each of these factors is needed in very specialized forms.

In the case of airframe manufacturing companies, the factor of plant and equipment presents a number of complications. The greater part of the plant and equipment of the industry is owned by the Federal Government and is used in connection with military contracts.

Before these government-owned facilities may be used for commercial production, arrangements have to be made with the military service involved to lease a portion or all of one or more structures. Moreover, these facilities are quite specialized. The nature of aircraft plants and the type of equipment which they contain set limitations on the type of civilian production which can be carried on. Also, the scale of the major aircraft plants is such as to set fairly high requirements for production in order to make economic use of the facilities.

The other factors of production—materials, manpower, and management — are usually available with less difficulty. In fact, a major reason for aircraft companies diversifying into other lines is to maintain their productive organizations in being.

The type of distribution needed. The marketing organization required by a military aircraft manufacturer is rather minor compared to that of the typical firm selling to the civilian market. The marketing of commercial aircraft — the area in which most airframe manufacturers have come civilian experience — more closely approximates the case of sales of specialized equipment such as freight cars and merchant ships rather than the more frequently mass-produced civilian items.

The type of marketing organization required for civilian products will vary with the type of product and with the market to be penetrated. In the case of production on subcontracts for other firms, the sales job would be performed prior to production and would normally be done by a limited staff. In the case of sales of some end products, franchised representative, jobbers, and other wholesale distributors often assume the marketing responsibility.

For direct sales to other industrial firms, a sizable but limited marketing staff would be required. In contrast, sales to the consumer market often require the establishment and maintenance of large sales and advertising departments, particularly where brand identification is desired.

The financial requirements. The major airframe manufacturing companies operate with far less privately-supplied capital than do other corporations with comparable sales volumes. This situation arises because the Department of Defense usually supplies a large portion of the plant and equipment and, in the form of progress payments, a share of the working capital required.

For the aircraft industry, invested capital in 1955 equaled 6% of total sales and corporate net worth (invested capital plus retained surplus) equaled 15% of sales. The corresponding ratios for industry as a whole were significantly higher — 18% and 44%, respectively.

The airframe manufacturer who embarks upon civilian production must be prepared to meet the additional financial demands which may arise. In the case of a company renting government-owned plant and equipment, the major financial requirement would be for adequate working capital, particularly until a satisfactory sales volume has been attained.

A corollary of this situation is that the aircraft industry achieves a greater proportionate return on its investment than other manufacturing companies. The expansion in civilian markets would tend to reduce this ratio. In 1955, the major airframe manufacturers earned before tax profits of 50% of net worth and after tax profits of 24% of net worth. In contrast, manufacturing companies as a whole experienced a 24% pretax and 12½% after tax return on net worth during the same period. It should be noted that a number of individual non-aircraft firms have attained return on net worth as well as profit on sales percentages substantially in excess of those for the aircraft industry.

Changes in organizational structure. The expansion of a company's product line or of its market area often necessitates changes in its organizational structure. As a first step, many companies establish a new products group. These units are somewhat similar to the PWP Departments (Post War Planning units) established by many aircraft companies during World War II.

A recent conference sponsored by the American Management Association analyzed the various methods which companies are using to develop new products. It was reported that the odds are 5 to 1 against success for a new product after it reaches the market. Many companies have been without organized product development programs despite this pressure. The participants at the conference attributed the problem to two major factors: (a) the failure by management to appreciate the complexities of introducing a new product into today's competitive markets and (b) the reluctance of various departments to surrender any of their control in the development of new products. It was found that most successful companies make use of a product planning group that concentrates specifically on smoothing product development. These may be either of the advisory and coordinating nature or an operating unit of the company.

For example, one major company uses a committee consisting of representatives from each major division of the company—research, engineering, manufacturing, market research, and sales. The committee meets from time to time during all stages of product development to discuss the problems faced by each department. It advises top management on the solution of interdepartmental differences but does not make any direct operating decisions.

Another large company, on the other hand, established a product development group within each division. An operating unit, it is responsible directly to the general manager of the division. The group supervises all phases of new product development, directing the various departments on the individual phases on which they are working.

A number of aircraft manufacturing firms established new divisions at various times to handle their actual or anticipated non-aircraft business. A separate division for military and commercial activities may have special merit where both use parts of a single government-owned facility for production of different types of items.

Drawbacks to and Gains From Civilian Production

It would be well to review the pitfalls and risks that may be encountered as well as the special gains that might be made when an aircraft manufacturing firm attempts to diversify its operations into non-aircraft fields. The following are some of the difficulties that often face a firm attempting to enter a civil market:

(1) The problem of penetrating a market dominated by entrenched firms.

(2) The problem of selling to a market without the benefit of a well known trade name or brand name.

(3) The problem of producing an item and for a market for which no previous experience is had (e.g. concentrating on quantity production instead of close tolerances).

With adequate planning, financing, and time, the above and related problems can often be hurdled. However, a number of additional problems and risks are involved for an aircraft company.

If the attempt to penetrate civilian nonaviation markets is successful, the military departments might tend to lose interest in the company as part of its "hard core" of prime suppliers. Also, the company may sacrifice some of the flexibility it had in taking up new military procurement programs. Particularly, it might tend to ignore or give little attention to military research and development work and other low-profit defense items in which new weapon systems germinate.

If the attempt to penetrate civil nonaviation markets is unsuccessful, the company's "venture capital" might be depleted. A costly failure in the civil market—often involving substantial investment, production, and marketing cost prior to initial sales—might result in severe damage to the company's basic strength.

It should be noted that a successful penetration of civilian market would bring many advantages to a company primarily dependent on military orders. These prospective gains from diversification include the following:

Some insulation against the sharp fluctuations in military procurement. Industrial production has fluctuated within a range of 112-146 (1947-49=100) during the years of 1950-1957, while military expenditures ranged from $12 billion to $44 billion during the same period.

Increases in profit margins. Profits as a percent of sales are normally smaller on military contracts than on civilian production. In 1955, the before tax profits of the major airframe manufacturers averaged 7.2% of sales and the after tax profits averaged 3.4%. In comparison the profit ratios of all manufacturing companies in that were were 10.0% before taxes and 5.4% after the payment of Federal income taxes.

The Aircraft Industries Association has estimated that the profits of major airframe producers in 1957 averaged 2½% on sales after the payment of income taxes.

Maintenance in being of a going production and engineering organization. This non-balance sheet factor would not only be important to the company as a potential source of income, but to the military establishment as a part of its mobilization base.

Guidelines for Reviewing New Products

Two major types of diversification activities may be noted: (1) internal or the manufacture of nonmilitary products in existing facilities, and (2) external or the penetration of civilian markets through the acquisition of existing firms, the formation of new enterprises, and other activities which do not utilize existing facilities.

In connection with internal diversification, some general guidelines may be formulated on the basis of the foregoing analysis.

Five criteria are suggested for the initial review of proposals for the manufacture of commercial products. Products which possess a significant number of the following characteristics might be said to have passed the first "test" and merit more intensive study.

(1) A new product or a product for which the demand is expected to increase very substantially.

(2) A product whose manufacture requires the fabrication and other existing skills and capacity of an airframe manufacturing company.

(3) A product to be sold to or manufactured for an industrial market or other product which does not require the establishment of an extensive distribution organization.

(4) A product which can be produced and sold with a moderate financial investment.

(5) A product whose development and sale could be accomplished with adaptations of the existing organization.

It may be apparent why products which do not meet most of these criteria would not be promising. For example, a product which is similar to established products as to cost, function, or other important characteristics, or one for which the demand is expected to be stable or declining, would meet particularly stiff competition from firms already entrenched in the civilian market.

Similarly, a product whose manufacture requires large additions to existing facilities and new engineering and/or production skills would not contribute to the utilization of idle capacity and manpower, but create additional burdens and problems.

Also, a product which would require the establishment of an extensive marketing organization would not be ordinarily suitable for an airframe manufacturing company. The industry has generally avoided direct consumer sales, particularly those involving extensive sales and advertising departments. Moreover, a product whose introduction required such additional activity would entail

Railroad Securities

Railroads vs. Unions

The nation's railroads and the railway unions already are airing their views on possible changes in the labor contract which expires next Nov. 1. Contract negotiations are not scheduled to begin until this summer.

The carriers state they will seek changes in the work rules which have developed over the years and which are characterized as "featherbedding." They state these outmoded rules cost the railroads around $475,000,000 a year, or almost as much as the $590,000,000 profit recorded by the carriers last year.

However, the rail unions do not seem to be likly to be willing to make any concessions at this time. Instead, they probably will ask for more benefits. The unions have taken the position that there can be no compromise at this time. The importance of the rail-labor negotiations is heightened by the fact that some 850,000 workers are involved, or considerably more than the 665,000 that will be in this year's steel wage talks.

Daniel Loomis, President of the Association of American Railroads, has suggested that the train brotherhoods join with the railroads in asking President Eisenhower to name a non-partisan group to study the road's work rules. Mr. Loomis said, "Such a special commission should go to work immediately, well in advance of any transportation crisis, preparing an independent and objective appraisal that will protect the welfare of the country, the solvency of the railroad industry and the security of its workers."

The unions, for the most part are cool to this idea of a commission. They are expected to counter with a demand for higher wages. They also are expected to demand some type of job stabilization which would limit the railroads' power to lay off workers. In addition, they probably will ask for a work week shorter than the present 40 hours. The question of eliminating fireman from diesel locomotives in freight and switching service also will be an issue which is highly controversial. It is pointed out the Canadian Pacific reached an agreement with the unions on this point last year and has been able to eliminate firemen on these runs.

Also, the question of the dual pay system will be another problem. The unions look upon the historic 100-mile-a-day rule as sort of an incentive system. This has been in effect for many years and the railroads counter with statements that many years ago 100 miles was about all a freight train would travel in one day but that modern equipment has changed this situation considerably, particularly with the introduction of diesel locomotives which can haul longer trains faster.

Another question which will be brought up is layoffs caused by mechanization in roadway maintenance and shops. Also, the fact that many of the carriers are having repair work done outside of their own shops to cut down labor costs. The latter is a sore point as far as the unions are concerned.

At any rate, it is expected that over next several months views of management and labor on the entire subject will be appearing often, with the unions threatening a strike if their demands are not met. Some rail officials wish that the negotiations had been started during the recession when earnings were depressed rather than at the present time. However, there is a moratorium existing until the Nov. 1 expiration date which did not permit either labor or management to reopen the contract. One labor leader has stated that the unions would not again sign such a moratorium which has tied their hands since 1956.

that much greater risk than items which would be sold to industrial firms.

An important limiting factor in considering all suggestions for expansions and diversifications would be the financial investment required. Many companies prefer the "low investment—low risk—moderate income" venture to the "high investment—high risk—high gain" venture. This is an area of minimizing loss rather than necessarily maximizing gain. Moreover, in the case of the typical airframe company, which has fairly limited financial resources, the amount of venture capital may be strictly rationed and large investment projects not possible.

Finally, one of the major reasons for an aircraft company diversifying its activities is to maintain a going organization during the troughs of military procurement. Hence, ventures which would involve very severe modifications of the existing organizational structure could impair the company's affectiveness in military fields.

It should be noted that these criteria describe "ideal" situations and that judgment and subjective evaluation would be necessary in deciding whether a given suggestion came close enough to the ideal to merit further consideration.

Named Directors

Election of Gordon E. Crosby, Jr. and Bowen Blair as directors of The United States Life Insurance Company has been announced by Raymond H. Belknap, President.

Mr. Crosby, who joined United States Life as Vice-President and Director of agencies earlier this year, had previously been Washington general agent for New England Mutual Life Insurance Company in Seattle.

Mr. Blair, a Partner in William Blair & Company, Chicago investment bankers, is also a Director of the Continental Assurance Company and the Continental Casualty Company.

The new directors succeed William McCormick Blair, Senior Partner of William Blair & Company, and Boyd N. Everett, Vice-President and Treasurer of the Continental Assurance Company and the Continental Casualty Company, both of whom resigned recently.

Jon Lovelace V.-P. of American Mutual Fund

LOS ANGELES, Calif. — Jon Lovelace Jr. has been elected a Vice-President of American Mutual Fund, 900 Wilsire Boulevard. it was announced by Charles H. Schimpff, Executive Vice-President of the Fund. Mr. Lovelace has been associated with the organization in the field of investment research since 1951.

Chicago Analysts to Hear

CHICAGO, Ill. — H. T. Mead, vice president of the Mead Corporation, will be the guest speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held February 19th in the Adams Room of the Midland Hotel.

Form Capital Investment

(Special to The Financial Chronicle)

LINCOLN, Neb. — Capital Investment Corporation has been formed with offices at 301 South 17th Street to engage in a securities business. Michael E. Layon is associated with the firm.

With Cyrus Lawrence

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, member of the New York Stock Exchange, announced that Joseph W. Donner is now associated with their firm in the investment research department.

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there had never been a grants program. Communities may hold back new construction after the grants end in hope that the success of the program will lead to its renewal.

Steel Users Losing in Inventory Stockpiling

Some steel users may be scraping the bottom of the inventory barrel when the steel labor contract deadline rolls around next June 30, according to "The Iron Age," national metalworking weekly.

"Many customers planned to put their January and February tonnage into stock and nurse it along in case of a strike," asserts one steel executive. "But their own business is building up so fast they can't make much headway. They can very easily end up scraping the bottom of the barrel in June."

Says another steel sales executive:

"There is no possibility of building up enough stock between now and June. The users might get up to 35% of a normal inventory accumulated by them through spreading out their orders now. But they are trying to build in three months what it took them a year and a half to work down."

"Iron Age" said these comments point up a dilemma that many metalworking companies failed to anticipate. Fears of a steel strike and the upturn in business have created a situation that is putting a strain on ability of the mills to take care of everybody.

The metalworking weekly said mill order backlogs are building up so fast that steel sales offices are working overtime to keep pace with the avalanche. The backlog of one large mill has gone up 500,000 tons during the last 30 days.

The drive to stock up on steel is jamming public warehousing space in the Cleveland area, says "Iron Age." The available space is being snapped up by automotive and can companies as well as mills that want to store steel outside their own gates.

Another sign of the growing crisis in some steel products: Strip users who normally buy sheet and slit it themselves are starting to buy higher-priced hot- and cold-rolled narrow strip—and are glad to get it. This increases their costs but it helps build inventory.

The magazine said steel production planners have been caught off guard by the influx of new business. They are rushing furnaces into production because the volume was more than they had bargained for. Meanwhile, shipments are far below the level of incoming orders.

"Iron Age" said it now looks as though first quarter output will average 78% to 80% of capacity. It added that second quarter could average 85% to 90% with the possibility that output late in the quarter could hit close to 100%.

Bulk of Purchasing Agents Expect Steel Strike

Ninety-six per cent of 200 purchasing agents queried by "Steel" Magazine expect a steel strike of six to eight weeks this summer and most are building up inventories to see their companies through.

The metalworking weekly said on Feb. 16 that its survey indicated that 90% of the 200 purchasing agents will boost steel stocks by July 1 as a hedge against curtailed steel production and higher prices. Two out of 10 will boost steel stocks more than 50%; three out of 10, 26-50%; and four out of 10, 1-25%.

Hedge buying is reflected in steel mill operations. They were boosted 2.5 points last week to 83.5% of capacity. Production was about 2,363,000 net tons of steel for ingots and castings, highest of any week since March 25, 1957. Steel operations have risen 11 points in the past three weeks.

Comments by purchasing agents participating in "Steel's" survey indicate that some are building stocks even though they do not expect a strike.

"In past strikes, consumers hungry for steel have influenced the steel companies to come to quick terms with the union," believes a Utica, N. Y. purchasing agent. At the rate we're buying steel, we won't be hungry on July 1. Our influence on steel management thinking will be far less than in many former situations."

A Reading, Pa., purchaser, another of the few to predict no strike, analyzes inventory building this way: "Steel stocks will be so high by July 1 that most users of the metal won't suffer unless a walkout would last longer than eight weeks. The union will be in such a poor bargaining position that it won't dare strike."

All kinds of steel consumers are hedging against a strike, but automotive and oil firms lead the rush. A North Tonawanda, N. Y., buyer says: "We'll increase our inventories by 200% from now until July 1. That's covered by firm authority — mostly automotive."

Most steel purchasers expect an eventual price increase. For example, a Des Moines, Iowa, buyer comments: "We'll increase inventories by one-third to one-half in the next four or five months. The inevitable price rise makes this a good gamble even if the strike doesn't materialize."

Although most steel buyers understand why a price increase might occur, they still do not like the prospect. Comments like this from a Salem, Ohio, purchaser are common: "A price increase of \$8 to \$10 per ton will force us to consider foreign steel, via the St. Lawrence Seaway."

The magazine's price composite on the prime grade of scrap holds unchanged at \$42.50 a gross ton, following a four-week rise.

Steel Production Upsurge Continues

The American Iron and Steel Institute announced that the operating rate of steel companies will average *151.8% of steel capacity for the week beginning Feb. 16, equivalent to 2,439,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *147.6% of capacity and 2,371,000 tons a week ago.

Actual output for Feb. 9 week was equal to 83.7% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for the week of Feb. 16 is 86.1%.

For the Feb. 16 week a month ago the rate was *128% and production 2,056,000 tons. A year ago the actual weekly production was placed at 1,373,000 tons, or 85.5%.

*Index of production is based on average weekly production for 1947-1949.

Rise in Cost of Living Out-raced by Steel Wages

While the "cost of living," as measured by the government's consumer price index, doubled between 1940 and the third quarter of 1958, steelworkers' average hourly earnings increased three and one-half times and the total employment costs per hour worked by steelworkers quadrupled, according to American Iron and Steel Institute.

The Bureau of Labor Statistics reports that, in the third quarter of last year, the consumer price index was 123.7 against 59.9 in 1940, an increase of 106%. The same source shows steelworkers' average hourly earnings at \$2.96 in the third quarter of 1958, compared with a little more than 84 cents during 1940, a 250% gain.

In the same period, steel companies' total employment costs per hour (for wage earners) increased to an estimated \$3.60 from 90.5 cents, showing a 298% increase, American Iron and Steel Institute data show.

Anti-Production Problems Curb Car Output

Chrysler's Corp.'s production problems, severe weather conditions in many parts of the country and a temporary assembly halt at a Mercury plant combined to keep U. S. passenger car output near its lowest level of the year during the week beginning Feb. 9. Ward's Automotive Reports estimated automobile production for the week at 115,770 units, just 1.3% above the 1959 low of 114,282 reported last week. In the corresponding week a year ago, the total was 101,656.

Chrysler's difficulties, stemming from the just concluded Pittsburgh Plate Glass Co. strike, kept the corporation's car-making program below 5,000 units contrasted to 18,000-unit schedules in effect in early January when glass shipments were normal. The corporation's car assembly consisted of three days' work at Dodge Main and De Soto-Chrysler units in Detroit and five days at Imperial in Dearborn. Even with the strike settled, it will still be several days after glass output starts before Chrysler begins receiving normal shipments of glass and normal automobile production gets under way.

Some manufacturers reported that bad weather restricted normal operations in various areas last week. Ford Motor Co.'s Wixom, Mich., facility, where Lincolns and Ford Thunderbirds are produced, was closed Feb. 10 and Feb. 11, according to Ward's.

The automotive publication reported that Mercury's Metuchen, N. J., assembly plant was idle all during the recent week because of rearrangement activity. Metuchen resumed work on Feb. 16.

Ward's said that truck production continued at a strong rate in the week starting Feb. 9. Scheduled were 25,062 units compared to 24,765 in the preceding week and 18,709 in the corresponding week in 1958.

Gaudy Car Production Volume Forecast

U. S. auto manufacturers will turn out more 1959 passenger cars by June 30 of this year than came off the lines during the entire 1958 model run if present production plans are carried out, it is indicated in "Automotive Digest," monthly business summary published by Pacific Finance Corporation of Los Angeles and New York.

Schedules call for production of more than 4,400,000 new cars by mid-year, compared with a total production of 4,222,765 of 1958 models. Current indications point to a gain of more than 622,000 cars over the 1958 model production level at June 30, the Digest said.

The perennial leaders of the low price field, Chevrolet, Ford, and Plymouth, moved a step closer to chalking up two-thirds of the nation's entire auto output last year. Together, they accounted for 62½% of the year's run, 2% more than in 1957. While manufacture of Fords and Plymouths was off slightly, Chevrolet production increased by 4.3% to a total of 29.2%. Chevrolet also leads in production thus far in the 1959 model run.

Sales of new cars were reported continuing strong, bolstering dealers' hopes the sales momentum set off by deliveries of approximately 425,000 new automobiles in December will carry through to spring.

Scanning market potentials, the Digest reports survey findings that one of every eight U. S. car-owning families owns two or more cars and an additional 13 million families have need for a second car.

Used car prices are reported slowing, prices softening, and dealer inventories mounting as a result of strong new car activity. Sales were reported best in the upper middle west and on the west coast.

Electric Output Lower Than in Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 14, was estimated at 13,156,000,000 kwh., according to the Edison Electric Institute. Output the past week was below the level of the preceding week.

For the week ended Feb. 14, output declined by 136,000,000 kwh. from that of the previous week, but showed a gain of 739,000,000 kwh. above that of the comparable 1958 week.

3% Drop in Carloadings Ascribed to Bad Weather

Loading of revenue freight for the week ended Feb. 7, totaled 565,397 cars, the Association of American Railroads announced, a decrease of 17,239, cars or 3% below the preceding week. The total for the latest week reflected an increase of 33,001 cars or 6.2% above the corresponding week in 1958, but a decrease of 99,854 cars or 15% below the corresponding week in 1957.

The 3% falloff in the week of Feb. 7 from the earlier week's volume was due to continued heavy rains in Southern and Southwest Districts and extreme winter weather in the northern tier

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of states which affected outdoor industrial operations and loadings, particularly of forest products and sand and gravel.

Lumber Shipments Show 2.9% Decline

Lumber shipments of 468 mills reporting to the National Lumber Trade Barometer were 2.9% below production for the week ended Feb. 7. In the same week new orders of these mills were 3% above production. Unfilled orders of reporting mills amounted to 41% of stocks. For reporting softwood mills, unfilled orders were equivalent to 20 days' production at the current rate, and gross stocks were equivalent to 46 days' production.

For the year-to-date, shipments of reporting identical mills were equal to production; new orders were 7.6% above production.

For the week ended Feb. 7, as compared with the preceding week, production of reporting mills was 1% below; shipments were 9.2% below; new orders were 8.8% below. Compared with the corresponding week in 1958, production of reporting mills was 0.4% below; shipments were 4.8% above; and new orders were 5.3% above.

Business Failures Up Moderately

Commercial and industrial failures increased to 292 in the week ended Feb. 12 from 271 in the preceding week reported Dun & Bradstreet, Inc. Despite this rise, casualties remained below the 319 in the comparable week last year and the 317 in 1957. However, they were about even with the pre-war level of 293 in the similar week of 1939.

Failures with liabilities of $5,000 or more rose to 249 from 235 in the previous week but did not reach the 279 occurring in this size group a year ago. Among small casualties, those involving liabilities under $5,000, the toll edged to 43 from 36 last week and exceeded slightly the 40 in 1958. Twenty-eight businesses failed during the week with liabilities in excess of $100,000 as against 30 a week earlier.

Trade and manufacturing accounted for the week-to-week upturn. Retailing casualties climbed to 158 from 133, while manufacturing edged to 50 from 47 and wholesaling to 24 from 22. In contrast, construction failures declined to 38 from 44, and commercial service dipped to 22 from 25. Fewer concerns succumbed than last year in all industry and trade groups, with the most noticeable decrease from 1958 appearing in wholesale trade.

Casualties ran higher during the week in five of the nine major geographic regions. While the Middle Atlantic total edged up to 95 from 92, and the East North Central to 47 from 41, South Atlantic failures jumped to 31 from 11. On the other hand, week-to-week declines were reported in four regions—in the Pacific States, off to 56 from 61, as well as in the Mountain, West North Central, and West South Central States. Mortality dipped below last year in most areas; only the East North Central and South Atlantic States reported higher failures than in 1958.

Third Consecutive Decline in Wholesale Food Price Index

For the third consecutive week, the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., declined on Feb. 10. The index stood at $6.17, and compared with $6.19 a week earlier for a dip of 0.3%. It was 5.4% below the $6.52 of the comparable date a year ago.

Commodities quoted higher in the week ended Feb. 10 were wheat, corn, and rye. Down in price were flour, oats, barley, beef, hams, cottonseed oil, cocoa, eggs, potatoes, steers, and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Steady

Gains in prices on grains, lambs, and hides this week were offset by declines on hogs, steers, and lard, holding the general commodity price level close to the prior week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 276.49 on February 16, compared with 276.47 a week earlier and 280.17 on the comparable date a year ago.

Light offerings and a pick up in export business resulted in appreciable advances in wheat prices during the week; domestic buying was close to the preceding week. A slight rise in export purchases helped rye prices move up moderately. Corn prices climbed moderately as trading moved up and marketings were light. Transactions in oats were limited and prices were unchanged. Improved prospects for export business in soybean oil strengthened soybean prices this week.

Despite a moderate rise in export buying, flour prices remained at previous week levels as domestic purchases lagged. Export demand is expected to pick up again in the coming week, with a sizable commitment from Ceylon.

Sugar trading remained close to that of a week earlier and raw sugar prices were unchanged. Following a dip at the beginning of the week, coffee prices picked up at the end of the period as trading improved. Wholesale coffee inventories were below those of a year ago.

Domestic rice buying was sustained at high level and prices were steady. The Government has been negotiating to sell Indonesia and Turkey sizable quantities of rice in the near future. Trading in cocoa moved up noticeably this week and was followed by a price rise. There was a moderate decline in cocoa inventories.

Sheep supplies in Chicago were close to a week earlier but trading picked up moderately; lamb prices were up appreciably from the preceding week. Hog turnover declined at the end of the week and prices slipped somewhat. Although cattle receipts expanded slightly, the buying of steers was sluggish and prices fell from the preceding week. Following the decline in hog prices, lard prices dipped appreciably during the week.

Although cotton trading on the New York Cotton Exchange picked up this week, prices remained close to those of a week earlier. In the week ended last Tuesday exports of cotton totalled about 40,000 bales, compared with 42,000 in the prior week and 130,000 in the comparable period a year ago. For the season through February 10 exports amounted to about 1,650,000 bales, as against 3,000,000 in the comparable period last season.

Retail Trade Exceeds Poor 1958 Week

Although bad weather in some regions held consumer buying close to the prior week, total retail trade in the week ended Feb. 11 moderately exceeded that of a year ago when sales were at a low level. Best-sellers in the latest week were women's apparel, floor coverings, and furniture. According to spot checks, sales of new passenger cars were close to a week earlier, but substantial year-to-year gains remained.

The total dollar volume of retail trade in the Feb. 11 week was 2% to 6% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: South Atlantic +5 to +9; Middle Atlantic +3 to +7; Pacific Coast +2 to +6; East North Central and Mountain +1 to +5; New England and East South Central 0 to +4; West North Central and West South Central —1 to +3.

Attracted by continued sales promotions, shoppers stepped up their buying of women's suits, dresses, cloth coats, and some fashion accessories boosting volume noticeably over a year ago. Sales of Spring apparel were sluggish and below expectations. Although the call for men's furnishings advanced appreciably over both the prior week and a year ago, over-all volume in men's apparel remained close to the similar 1958 week. Interest in children's apparel moderately exceeded last year, with principal gains in girls' blouses and dresses and boys' sports coats.

There was a moderate pick up this week in purchases of furniture, especially bedroom sets, dinette sets, and occasional tables and chairs. While the call for floor coverings showed marked year-to-year gains, interest in linens and draperies was unchanged. Appliance dealers reported slight gains from a year ago; consumer interest centered on lamps, television sets, radios, and automatic laundry equipment. Volume in glassware, kitchen utensils, and gifts moved up slightly from last year.

The usual upsurge in the buying of Lenten food specialties occurred this week and volume in fresh meat, fresh produce, and frozen food was steady. Except for canned fish, sales of canned goods slackened during the week.

Nationwide Department Store Sales Up 9%

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended Feb. 7, advanced 9% above the like period last year. In the preceding week, Jan. 31, an increase of 4% was reported. For the four ended Feb. 7 a gain of 7% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended Feb. 7 showed a 5% increase from that of the like period last year. In the preceding week, Jan. 31, an increase of 4% was reported. For the four weeks ended Feb. 7 an increase of 3% was noted over the volume in the corresponding period in 1958.

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Why Creeping Inflation Is Not Inevitable

persons who formerly never bought any securities, preferring to keep their savings in various thrift institutions. Some insurance companies are advocating the establishment of variable annuities.

Up to now, the policy of buying equities rather than bonds has proven to be a wise one. In practically all portfolios, the stocks held have shown a substantial appreciation during recent years while long term bonds, irrespective of quality, have shown considerable depreciation. No wonder, therefore, that many investors and trust officers have raised the question, "What price security?"

Reasons for the Belief That Inflation Is Inevitable

The basic reasons for the belief that creeping inflation in the U. S. is inevitable, briefly stated, are as follows:

(1) The wholesale price index rose from 99.2 (1947-49 = 100) in 1949 after the great wave of postwar inflation to 119.3 at the end of 1958.

(2) The consumer price index rose from 101.8 in 1949 to 123.7 in December, 1958. Despite the fact that industry was operating substantially below capacity and unemployment was large, the cost of living index continued to rise during the recession of 1957-58. Moreover, in the postwar years, wages and costs of production in general have continued to move upward regardless of business activity and the size of unemployment. Many individuals have, therefore, reached the conclusion that as soon as business again operates at capacity and employment is plentiful, the wage-price spiral is bound to resume its upward climb.

(3) There is a strong inflation bias in government, as evidenced by the constantly increasing expenditures for goods and services of the Federal, State, and local governments.

(4) There is also a strong inflation bias among farmers and organized workers, who generally are not affected by the deterioration of the purchasing power of the dollar.

(5) Finally, there are many people who believe that moderate inflation is desirable because it creates favorable business sentiment and leads to satisfactory employment conditions and profits.

What Is Inflation?

A country, like every other economic unit, has to pay for its expenditures in one form or another. A nation can cover its expenditures either through taxation, direct and indirect, or through borrowing or printing money. Borrowing from the commercial banks or resorting to the printing press usually causes a decline in the purchasing power of the currency. This is an invisible tax not officially imposed by the Congress, but a tax just the same. The inflation tax is paid by all who have assets in the form of fixed dollar claims or whose income does not increase with the rise in the cost of living. Who are the principal groups on whom this invisible tax has been imposed? They are:

(1) All people living on pensions, social security, and beneficiaries of life insurance policies and fixed annuities. As a general rule, these are the older people who are living today on the fruits of their previous labor.

(2) All owners of savings expressed in fixed amounts of dollars. This applies to the millions of American families who have savings accounts in banks, own shares of savings and loan associations, or have bought "E" bonds and other fixed income obligations and mortgages.

(3) Individuals working for institutions unable to raise wages to meet the deterioration in the purchasing power of the dollar, such as private schools and universities, hospitals, and charitable institutions. The inflation tax is thus imposed on the weakest segment of the population, without vote, without debate, without Congressional hearings, simply because the people affected are not organized and thus not able to protect their interests.

Aside from its undesirable economic consequences, inflation in any form is morally wrong, for it deprives the old and the thrifty of the fruits of their labor and undermines their economic security. Americans are honest and kind-hearted people; and if they were fully aware of the true nature of creeping inflation and what it does to their fellow-citizens advanced in years or unable to protect themselves, they would combat this moral evil with all their might.

Is the Belief in the Inevitability of Creeping Inflation Warranted?

The rather acute inflation that set in after the last war, and especially after wage and price controls were removed, was inevitable. During the war, the money supply increased very rapidly while the supply of goods available for civilian consumption was limited. The war caused a great economic void at home and abroad. The enormous task of filling this economic vacuum and the need of meeting the current demand for goods and services made inflation inevitable. The war-induced inflation came to an end in 1948; and during the recession of 1948-1949, a minor decline in commodity prices occurred. The inflation wave that followed the outbreak of the Korean War also had its origin in noneconomic factors, although it could have been avoided. At the outbreak of hostilities in Korea, there was a great rush by consumers and business concerns to hoard commodities expected to be scarce or to rise in price. At the same time, the Reserve authorities, who were still under the obligation to peg long-term government bond prices, had lost effective control over the money supply and thus were unable to check the inflationary pressures. Moreover, the government was tardy in taking the necessary steps to check the sharp rise in prices.

From 1952 through 1954, the wholesale and consumer price indexes remained relatively stable. During these three years, the index of wholesale prices fluctuated around 110 and the consumer price index around 114.

The current creeping inflation really started in 1955 and continued through 1958, even though business activity and employment turned down in the Fall of 1957. The consumer price index rose from an average of 114.5 in 1955 to 116.2 in 1956, 120.2 in 1957, and 123.7 in 1958. The increased occurred during 1955 and 1956 in spite of the policy of active credit restraint followed by the Reserve authorities, and during 1957 and 1958 in spite of the rather sharp decline in business activity and the substantial rise in unemployment.

The causes of the creeping inflation since 1955 have often been analyzed and need not be repeated here. The fact remains that there was a period of four years of relative stability in prices, on both the wholesale and retail levels. The question, therefore, arises as to whether this period of stability was only the exception or whether there are valid reasons for believing that the forces causing creeping inflation will be brought to a

halt—and if not, what the consequences will be.

The Immediate Outlook

A renewal of the inflationary pressures in the immediate future is not likely. Industry is still operating below capacity, and productivity is rising. Unemployment is large; and in all likelihood the total number of unemployed will remain substantial, at least in the next few months. Furthermore, competition at home and abroad is rising, and the large supply of farm products indicates a reduction in food prices during the coming months. In addition, the Reserve authorities have already adopted a policy of mild credit restraint. The member banks are operating with negative free reserves; and money rates, both short and long term, are rising. If the inflationary forces should be renewed, the Reserve authorities will adopt a policy of active credit restraint. It may, therefore, be assumed that at least during the next six months the purchasing power of the dollar will be relatively stable.

The Long Range Outlook

Once industry again operates at or near capacity, employment conditions are satisfactory, and profits rise, there is, however, a real danger that the wage-price spiral will be renewed. Under conditions of full employment and with industry operating at capacity, the rise in productivity tends to slow down, and wage increases tend to surpass the rise in output per man-hour. The new steel collective agreement to be negotiated during the summer may set a new pattern of wages, which in turn may rekindle the forces of creeping inflation. It is, therefore, possible that in the second half of the year this problem may again become acute. Hence, a full understanding of the possible consequences becomes imperative.

Consequences of Creeping Inflation

Once the forces of inflation are renewed, the economic consequences will be as follows:

The demand for credit, short and long term, will increase. With business activity at a higher level, there will be a need for more working capital. Furthermore, the renewal of the forces of inflation will set in motion an accumulation of business inventories, which also will increase the demand for credit. Under such circumstances, the Federal Reserve authorities, as previously stated, will adopt a policy of active and possibly severe credit restraint. The availability of bank credit will decrease, and money rates will rise.

The demand for long term capital will also rise. State and local governments will have to pay more for public works because of the rise in prices and wages. Moreover, along with corporations, they will endeavor to anticipate their capital requirements because of the expected higher costs of construction and equipment. Under these conditions, the demand for mortgage money is also bound to rise.

At the same time, the supply of capital seeking an outlet in fixed-income-bearing securities and mortgages is likely to decrease. Individuals, convinced that the decline in the purchasing power of the dollar is inevitable, will shift even more than at present from bonds to equities. Pension funds will increase their switching from bonds into equities in order to hedge against inflation. Life insurance companies will intensify their efforts to obtain the right to sell variable annuities; and if they are successful, this will also reduce the demand for fixed-income-bearing obligations.

Since under a policy of active credit restraint the commercial banks would not be in a position to meet the deficiency in capital, long term money rates would increase, and many would-be borrowers would not be able to obtain the necessary capital. Experience during 1957 has proven conclusively that once the liquidity of the banks and of business concerns has been reduced and the velocity of deposits cannot be further appreciably increased, a policy of active credit restraint begins to take effect. Business activity begins to decline, unemployment rises, and profits decrease.

However, during the recent recession, wages continued to rise in spite of declining business activity and growing unemployment, wholesale prices failed to decrease, and the cost of living, owing to the constant rise in costs of services, actually increased. Obviously, therefore, the recession did not cure the basic maladjustments in the economy. Both political parties were unwilling to permit even a modest deflation and favored massive federal intervention in the economy. Hence, should the wage-price spiral again be renewed, it will start from a high level of prices and wages and invariably lead within a relatively short time to a sharp decline in business activity. In other words, the country will witness a repetition of the economic developments that took place during 1957-58, perhaps in a much more severe form.

As business activity again decreases and unemployment rises, the monetary authorities will again take measures to prevent the incipient recession from becoming a severe depression. The credit policies of the Reserve authorities will be reversed, the availability of bank credit will be increased, and the Federal Government will again operate with a large deficit. The creation of new excess reserves by the Reserve authorities will enable the banks to acquire large amounts of government securities, thus increasing the money supply. The increase in the federal deficit plus the cost-push factors will therefore within a relatively short time create new inflationary fears; and when these fears cause anticipatory buying and hedging, we will again have a steadily rising retail price level. It is thus clear that if no positive measures are taken to remove the inflation psychology that is growing in this country, creeping inflation will make the economy highly volatile, and the business swing will become more pronounced.

If the powers of the Reserve authorities should be curbed by congressional action, the most important weapon for fighting inflation would be dulled. Monetary discipline would disappear, and creeping inflation could easily turn into galloping inflation, which, as experience has amply proven, invariably leads to a sharp break later on. In either event, the consequences are undesirable and they could become disastrous.

International Consequences of Creeping Inflation

Creeping inflation is also bound to cause serious international financial complications. The return to limited convertibility by the leading countries of Western Europe impose on their governments and central banks the necessity to maintain fiscal and monetary discipline. Otherwise, internal imbalances would soon develop again which might make it impossible for them to maintain the convertibility of their currencies. If, under these circumstances, the U. S. accepts creeping inflation as a way of life, the consequences could be as follows:

(1) The U. S. would gradually price itself out of world markets, and its exports would decrease. In this connection, it should be noted that the productive capacity of the free countries abroad has increased materially and that the leading industrial nations are operating on a mass production basis and utilizing the most modern equipment. Moreover, labor costs in the other free world industrial countries are substantially lower than in the U. S.

(2) Imports into the U. S. particularly of manufactured goods, would tend to increase rapidly. The U. S. would not be in a position to raise tariffs or to impose import quotas because this would drive the Free World to trade more and more with countries behind the Iron Curtain, which obviously is not in the economic and political interests of the U. S.

(3) Under such circumstances, the current balance of payment of the U. S. would turn unfavorable. Such a trend, together with a continued budget deficit in the U. S., could lead to a loss of confidence in the dollar and result in a large withdrawal of foreign short term funds and a substantial outflow of gold.

At this point, the U. S. would be confronted with a serious dilemma. Unless it instituted strict exchange control, which is opposed to our tradition, it would be forced either to adopt drastic fiscal and monetary discipline or to devalue the dollar in order to make American goods competitive at home and abroad. Drastic deflationary measures would lead to a sharp reduction in business activity and a considerable increase in unemployment. Devaluation of the dollar would be a blow to the economic and political prestige of this country. Furthermore, devaluation would be of no lasting value unless it were accompanied by appropriate fiscal and monetary measures. Devaluation is only a temporary cure; unless its basic causes are removed, it leads only to further devaluation later on. Ultimately, the time comes when a nation has to face the hard facts and act accordingly. This has been conclusively demonstrated by the recent developments in France.

Conclusion

Creeping inflation is morally wrong and economically unsound. If combated by the Federal Government and the monetary authorities, it can be only a temporary phenomenon. If, however, it is abetted by the Federal Government by adoption of unsound fiscal policies, and by the Reserve authorities by providing the banks with additional reserves to supply the credit needed to support the constantly rising cost of goods and services, it could theoretically continue for an indefinite time.

Creeping inflation is morally wrong for it robs the thrifty and the old people who live on pensions and social security of the fruits of their labor in the form of savings and other monetary claims. It constitutes an invisible tax on the weakest segments of the population. If permitted to continue, it could lead to serious social, political, and economic changes, as was witnessed in so many countries after both World Wars. Creeping inflation is economically unsound, for eventually it leads to an unstable economy, rising unemployment, and highly volatile security markets.

If the forces of inflation should reassert themselves later on in the year, when industry may be operating at or near capacity and employment is satisfactory, they would create an increased demand for credit and cause the Reserve authorities to adopt a policy of active credit restraint. This would reduce the availability of credit and cause money rates to rise sharply. This would soon lead to a curtailment of home building and public works construction. It would also bring to an end the accumulation of inventories and cause curtailment of capital expenditures by corporations. Experience of the past has fully demonstrated that a policy of active credit restraint, if persistently pursued, can bring any boom to an end, no matter how strong the inflationary forces may be. The result would be a decline in business activity, rising unemployment, and reduced profits. Both employer and employee would suffer.

There is, however, the danger that government intervention, in order to prevent a readjustment from degenerating into a recession, might prevent correction of the basic economic maladjustments. In that case, as was demonstrated during 1957-58, prices and wages would continue to rise, though at a slower rate, regardless of business activity and employment conditions. The inflationary pressures would not be removed but merely retarded, and thus the foundation would be laid for another cyclical swing of greater magnitude than the preceding one. Such a policy renders the economy highly volatile and causes violent fluctuations in the bond and equity markets.

If not checked in time, creeping inflation could cause a serious impairment of confidence in the dollar, particularly if the other industrial nations of the Free World were to reject an economic policy of constantly rising wages and prices. The recent action of the leading European countries in restoring convertibility of their currencies and the policy of austerity adopted by France indicate that many European nations are strongly opposed to creeping inflation. To maintain convertibility, they will be forced to practice fiscal and monetary discipline to prevent internal imbalances which could adversely affect their balance of payments.

If wages and prices in the U. S. continue to rise, and during each period of business decline the Federal Government operates with large deficits, exports from this country will decrease and imports will rise. In time this will adversely affect business activity and employment and the international financial position of the country. It will lead to a loss of confidence in the dollar and to a withdrawal of foreign short-term dollar assets and a large-scale outflow of gold. The U. S. will thus be confronted with the choice of either adopting a policy of drastic fiscal and monetary restraint, regardless of its impact on business activity and employment, or devaluing the dollar in order to restore the international competitive position of American goods. Either measure is highly undesirable and would constitute the most serious defeat of the U. S. in the cold war.

Seeks No Surrender Policy

It may be expected that neither the Federal Government nor the Reserve authorities will acquiesce to a policy of creeping inflation and that as soon as the forces of inflation reassert themselves, monetary and fiscal discipline will be adopted to combat them. These measures will lead to higher money rates and declining bond prices, which in time are bound to affect business activity and equity prices. When the forces of inflation recede, a reversal in interest rates and bond prices will take place. These fluctuations in prices of bonds and equities make the work of a trust investment officer extremely difficult.

So long as there is strong opposition to inflation on the part of the government and the monetary authorities, both bonds and stocks have a place in every trust portfolio. But the timing of purchase and sales of the various types of securities will become more and more important. If, however, it should become evident in the not distant future that the inflation bias remains unshaken and that the political leaders have adopted creeping inflation as a way of life, which is inconceivable, then bonds of any kind, irrespective of quality and tax status, would have no place in any portfolio. While the principal and income in dollars would be safe, the decline in the purchasing power of the principal would more than nullify the accumulated income.

It is inconceivable that the U. S. will adopt creeping inflation as a way of life. The Reserve authorities have already stated in unmistakable terms that they will oppose it. The State of the Union and the Budget Messages state in unmistaken terms the opposition of the Administration to inflation. Without official acquiescence and assistance, creeping inflation will prove to be a temporary phenomenon. The rapid fluctuations in business activity, employment, and profits will soon convince labor leaders and business management that inflation harms most people and benefits only few. The economic facts of life are not always readily and fully understood; but once the lesson has been learned and the hard facts driven home, there will be a general revulsion against the constant decline in the purchasing power of the dollar.

$60 Million Issue of New York State Bonds Offered to Investors

The First National City Bank of New York and Lehman Brothers are joint managers of a merged underwriting syndicate which won award Feb. 18 of $60,000,000 State of New York Various Purpose Bonds consisting of $24,000,000 of 3% Highway Construction Bonds, due March 15, 1960 to 1979, inclusive; $18,000,000 of 3% Higher Education Bonds, due March 15, 1960 to 1979, inclusive, and $18,000,000 of 2.90% Mental Health Construction Bonds, due March 15, 1960 to 1974, inclusive.

The group submitted a bid of 100.4965 for the bonds as 3s and 2.90s, a net interest cost of 2.9244% to the State.

On reoffering, the bonds are scaled to yield from 1.70% to 3%, according to maturity.

Other members of the offering syndicate include:

Bankers Trust Co.; J. P. Morgan & Co. Inc.; Guaranty Trust Co. of New York; The First National Bank of Chicago; Harriman Ripley & Co. Inc.; Smith, Barney & Co.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Phelps, Fenn & Co.; Glore, Forgan & Co.

Lazard Freres & Co.; Goldman, Sachs & Co.; Eastman Dillon, Union Securities & Co.; Drexel & Co.; Continental Illinois National Bank & Trust Co. of Chicago; Wood, Struthers & Co.; Paine. Webber, Jackson & Curtis; F. S. Smithers & Co.; Lee Higginson Corp.; Dominick & Dominick.

Coffin & Burr Inc.; Wm. E. Pollock & Co., Inc.; Roosevelt & Cross Inc.; Robert Winthrop & Co.; Hayden, Stone & Co.; Shearson, Hammill & Co.; Clark, Dodge & Co.; G. H. Walker & Co.; E. F. Hutton & Co.; The Boatmen's National Bank of Saint Louis; Braun, Bosworth & Co. Inc.

Grant, Fontaine Branch

RICHMOND, Cal.—Grant, Fontaine & Co. has opened a branch office at 3915 Macdonald Avenue under the direction of Charles B. Warren.

Cal-Pacific Branch

NEWHALL, Calif.—Cal-Pacific Securities has opened a branch office at 24330 North San Fernando Road.

Evans MacCormack Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—John E. Vanderbur is now with Evans MacCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange.

Continued from first page

Investments for Pension And Profit-Sharing Trusts

back to the mid or late 1940s, they would clearly reflect something in the nature of a revolution in the attitude toward the investment of these funds. Whereas at one time they were regarded as havens of fixed-income investments, with great emphasis on U. S. Government bonds, they are now in many quarters thought of as pools of capital ideally suited to the accumulation of large proportions of common stocks. As such they receive, somewhat mistakenly it seems to me, credit (or blame) for the recent sharp rise in the general level of stock prices. Persons who should know better profess to worry about pension funds ultimately controlling many of our corporations.

Those of us who are responsible for the management of pension funds would do well, it seems to me, to remind ourselves and the general public of a few facts which show how the reserves in these funds fit into the institutional picture. Corporate pension funds and public (state and local) pension funds together aggregate about $37.5 billion at the present time; this total can be compared with $107 billion admitted assets in life insurance companies, $37.8 billion assets in mutual savings banks, $54.8 billion in savings and loan associations, $62.8 billion in time deposits of commercial banks, and $13.5 billion in open-end mutual funds. The total reserves in corporate pension funds, which at market values amount to around $24.5 billion, of which probably no more than $9 billion are represented by common stocks, may be compared with the 1958 year-end market value of $276 billion for all stocks on the New York Stock Exchange. It is true that corporate pension funds are growing at a faster rate than many of the other institutions, but they are a long way from dominating the investment markets.

Reasons for Change

So much for analysis and perspective. It is much more important, it seems to me, to examine the fundamental reasons for the significant change in emphasis in the direction of equity rather than fixed-income investments. Where once they were generally regarded as pools of capital suited primarily for riskless or near-riskless investments, they now present a definite challenge to the portfolio manager to achieve superior investment results by being aggressive, ingenious, and inventive. Many factors have contributed to this evaluation.

Favorable Environment for Investment

The long-term nature of pension-fund reserves and the small amount of near-term or demand liabilities in relation to the accumulated funds are a most important consideration. On the twin assumption that we shall neither adopt a socialistic system nor destroy ourselves through a nuclear war, evidence abounds that in the dynamic type of economy in the United States of the late 1950s and which is foreseen for the 1960s, there will continue to be many opportunities for successful investment in equities. The degree of success will depend on the skill of the investor in selecting the best situations and the patience with which long-term results are awaited. For many reasons, many investors cannot take a long-term viewpoint, but pension funds are fortunately not in this category. Low initial dividend yields on stocks need not be a bar to investment in situations in which sound investment judgment indicates superior results over the longer term.

Absence of tax complications is a further favorable factor. The pension-fund-portfolio manager may make his decisions without reference to capital-gain-tax considerations or without the problem of providing a reasonable after-tax income. Decisions can be made purely from the standpoint of investment judgment.

The continued availability, over a long period of time, of funds for investment adds to the favorable environment. With funds available for investment at approximately regular intervals, the portfolio is built up, more or less of necessity, on the dollar-averaging principal. This means that in the field of equity investments the holdings can be acquired at prices averaging less than the average prices prevailing during the accumulation period. I do not infer that I advocate that portfolio managers of pension funds acquire stocks on a mechanical dollar-averaging basis, nor do I believe that a mechanical program is, in fact, followed in many cases. Superior results, I am confident, will be achieved by varying the pattern of the buying program as investment judgment dictates.

Nevertheless, the availability of funds in varying economic and market climates, providing as it does a more or less automatic reserve of buying power, tends to remove any necessity of attempting to time purchases. To one who, like myself, is impressed with the overriding importance of selection rather than timing in achieving superior investment results, this built-in advantage is most important. It takes the factor of guesswork out of portfolio management.

I am sure that many are familiar with various studies that have been made of dollar-averaging programs. Even when a program was started at a bad time, such as 1929 or 1937, it took a surprisingly few number of years for the market value of the investment to become equal to the cost value. Another important result shown by such studies is that the time when the program is commenced is of little significance assuming that the program is continued. For example, programs started in 1926, 1929, and 1932 each continued for 10 years, achieved practically identical results at the end of the 10-year period; and programs started in 1926, 1929, and 1932 and continued through 1958 also had virtually similar results by the end of last year.

With this favorable environment arising from the long-term nature of the funds, their continued growth, which provides an opportunity to dollar-average, and the absence of tax problems, the portfolio manager faces the fundamental challenge: how to make the reserves as productive as possible, within the framework of the type of investing implicit in managing reserves set aside to pay old-age benefits to the workers and managers of America.

The Purpose of Pension Fund Reserves

By far the greatest number of pension plans are of the definite-benefit type; variable annuity plans are very much in the minority. Because benefits under such plans are stated in dollars, the amount of which can be actuarially determined, it can be argued that fixed-income investments are all that are required to achieve the purposes of the reserves. In fact, until the late 1940s, such arguments were persuasively made, and pension funds were largely invested in bonds. This point of view, completely understandable as it may be in terms of rationality, overlooks two most important considerations: first, the undeniable fact that the long-term record of the United States economy shows a persistent decline in the purchasing power of the dollar, with corresponding rises in living costs and wage and salary scales; and, secondly, the particularly favorable investment climate in which pension funds find themselves, upon which I have already commented.

As to the first of these points—the long-term inflationary trend—some additional comments as to the effect on pension plans are in order. These can be summed up by suggesting that the purpose of pension reserves is not, realistically speaking, to provide funds with which to pay pensions according to a definite-benefit formula but to provide funds with which to pay pensions that are adequate in terms of living costs and salary and wage scales. This does not mean that I am advocating variable pensions; I am merely saying that, viewed realistically, pension scales are going to be revised upward from time to time to make them adequate, and adequacy is going to be measured in terms of any future upward rises in living costs and wages and salaries. Viewed in this manner, and bearing in mind that a relatively modest increase in investment return can have a significant effect on pension costs, the challenge to the manager of pension-fund portfolios becomes apparent: His task is to manage the reserves so that the costs of providing benefits, which must be assumed to be in an ascending scale, may be minimized. The challenge is comparable to that before American industry: to reduce costs and to improve the product.

Management's Practical Test

With this assignment, what is the practical task of the portfolio manager? It is to manage the funds to achieve the best investment return, consistent, of course, with the purposes for which the reserves are created. These purposes, it seems clear, preclude speculative and untried ventures. They do not, however, prevent the manager from adopting and carrying out an aggressive investment policy and program, and enable him to take full advantage of the exercising of his best judgment as to what constitute rewarding investments in a dynamic economy. If in the exercise of that investment judgment, substantial amounts of common stocks seem indicated, they can and should be purchased. If the best values seem to be in industries and companies in which initial dividend returns are small, primarily because the prospects are so favorable that managements prudently reinvest a substantial portion of earnings in the business, the low return should not be a deterrent to purchase because of the long-term nature of the investment. I believe that the key to successful investment in common stocks is through the industry approach—by selection of industries which have the best prospects and choice of companies within those industries with managements skillful enough to capitalize on their opportunities.

6.6% Loss of Principal

To be more specific, since even moderate inflation seriously erodes the return afforded by fixed-income investments, the trend toward an increasing use of stocks seems likely to continue as long as pension-fund trustees find good values in equities which, in their opinion, will achieve more favorable results for the funds than fixed-income investments. The erosion of bond yields in terms of constant dollars is shown by a study which traces the history of a 20-year Aa bond bought in 1938 to yield 3.30%. Using the Bureau of Labor Statistics Consumers Price Index as a guide to the purchasing power of the dollar, the study shows that when the semi-annual interest payments and the 1958 maturity value are converted back to 1938 dollars, the result is no yield at all and a loss of 6.6% of the principal. The proportion of stocks in individual funds will vary, being influenced by the industry in which the company operates and the circumstances of the particular company. Pensions are so important in our economic framework that the investment policy for an individual company's fund can be established properly only in relation to the company's over-all program and circumstances.

Fixed-Income Investments

It is my opinion, therefore, that we shall continue to see increasing emphasis on common stocks. I also believe that the trends which have been in evidence in the fixed-income segment of the portfolio will continue. Basically, the trend has been away from emphasis on minimizing credit risks (with the consequent sacrifice of something in yield) to a program of improving yields. The shift from government to corporate bonds is only the most obvious step in this direction. In the corporate field, there has been more and more emphasis on direct placements rather than public offerings, which has tended to bolster the yield. While on the subject of yields on corporate bonds, I should like to mention the importance of non-refundable and non-callable provisions to a pension-fund trustee. While it is undoubtedly unlikely that we shall return in the foreseeable future to an era of artificially low money rates, experience of the past five or six years clearly demonstrates the extreme volatility of long-term yields, and the sensitivity of the long-term bond market to changes in official policy, business prospects, and volume of new financing. Under such circumstances, the risks of having high-coupon bonds refunded in periods of lower rates are still present. The assignment of the pension-fund trustee is to achieve the best rate of return in the light of existing circumstances. Because of the long-term nature of pension funds, the trustee is willing to lend money on a long-term basis to companies whose credit deserves this accommodation. In times of relatively high rates, it is the trustee's assignment and duty to nail these rates down for as long a period as possible. This is not accomplished when a corporation can quickly turn a long-term investment into a short-term one by exercising its privilege to call an issue for the purpose of refunding at a lower rate. One feature that makes U. S. Government bonds attractive is that they are generally non-callable, or callable only a few years before maturity. Pension-fund trustees, as a class, could do well to give more attention to this problem.

Other trends in fixed-income investments are toward a greater use of mortgages and real estate, particularly sales-and-leasebacks. Again, the objective is to obtain a higher yield. Both types of investments present administrative problems, but slowly—but nonetheless surely — progress is being made toward reducing the costs of handling small mortgages and toward clearing up some of the legal problems involved in the ownership of real estate. At the same time, much still needs to be done. State laws and practices in many instances act as barriers to the flow of pension funds into mortgage and real estate investments. This is a handicap to the investment of pension funds and deprives individual states of the ability to attract pension-fund moneys into their borders.

Sales-and-leasebacks are attractive not only for the satisfactory initial return but also for the ultimate ownership of the equity without a lease. As indicated earlier, pension-fund trustees can afford to be patient; and while the rewards may not be reaped during the term of the present generation of portfolio managers, their successors may well in many instances have occasion to congratulate them, *in absentia*, on their investment acumen. Similar opportunities to obtain an ultimate equity exist in corporate obligations, both publicly offered convertible issues and direct placements with an equity feature.

It is not surprising, in a period of rising interest rates, that preferred stocks have been of declining importance in pension-fund portfolios. Certainly those purchased at times of appreciably lower rates are now something of a problem, because there seems little likelihood of salvaging the entire amount of the original investment, which the market now values at considerably lower levels. It seems apparent that pension-fund trustees have generally concluded that the absence of a maturity makes preferreds generally unattractive and that their use should be restricted principally to convertible issues and those with sinking funds. This is not to say that if purchases can be confined, on a time basis, to periods of high rates, they may not work out reasonably satisfactorily; but many trustees, with good reason, prefer when they abandon investments with a fixed maturity, to go all the way into commons rather than invest in preferreds.

Profit-Sharing Funds

My assigned topic includes the investment of profit-sharing as well as pension funds. There are many variations in the way different profit-sharing plans pay benefits to participants, which results in a great variance in the investment policies adopted for them. The simplest kind are plans of the retirement type where benefits are paid only on retirement or on prior termination of employment because of death or separation from service. It can be argued that funds of this type are, like pension funds, long-term pools of capital which afford an ideal vehicle for the accumulation of large amounts of stocks. The difficulty is that benefits are related to market values at specified dates so that the market risks are taken by the participant employees, as contrasted with pension funds where, in the usual case, the risks are really taken by the employer. Furthermore, the composition of the participants is heterogeneous, varying from persons with a high degree of sophistication in investment matters to those with no knowledge at all, and from individuals who are approaching the age at which their benefits will be drawn down to those who are looking forward to a long period of service with the company and a long period in which to accumulate stocks in the profit-sharing trust on a basis that is free of tax considerations until payment of benefits is actually made. Management attitudes toward the funds vary also. Furthermore, profit-sharing funds have been established by companies with a high degree of earnings stability in which continuity of regular contributions can be assumed, as well as by companies in cyclical industries where there may be years in which no contributions are made. All of these factors naturally enter into the development of individual investment programs for profit-sharing trusts. As a result, it is my observation that not only is there considerable variation in the policies for individual funds but also that

there tends to be somewhat less emphasis on stocks than in pension-fund portfolios. A technique for eliminating some of the problems to which I have referred is to give participants a choice of several avenues of investment. This has been used to a limited extent and may be more widely adopted in the future.

So far I have confined my remarks to the broad principles influencing the manner in which pension and profit-sharing trusts are invested. A few remarks on the impact of pension funds on the capital markets are in order. Using estimated figures for 1958, net purchases of corporate bonds for the last five years by corporate pension funds covered by the SEC study aggregated $6.7 billion, which is 24.9% of total net additions to outstanding corporate bonds in this five-year period. In the same five years, net acquisition of common stocks by corporate pension funds amounted to $4.5 billion, which is 42.5% of net new issues of common stock during the period. Despite their relatively late appearance upon the financial-institution scene and their comparatively modest size in relation to other financial institutions, corporate pension funds obviously play an important role in the field of corporation finance, particularly in the equity markets. It was not too long ago that economists were concerned, and rightfully so, with the shortage of equity capital. With the current realization of the importance of equity securities in pension-fund portfolios, this shortage is being supplied in an impressive manner—to the benefit of both the general economy and the individual corporations whose pension funds supply the demand for equity securities.

Conclusion

It would obviously take much longer to explore all the facets of this investment field. I can sum up my point of view rather simply. Right after the war, a junior bank officer was assigned to pension-fund investing. An associate advised him not to accept the assignment because, he said, "You will spend all your time just studying possible swaps of government bonds." Not long ago, a friend of mine in a bank in the Midwest observed to me that pension funds could obviously use common stocks in as large, if not larger, proportions, than any trust fund—a point of view with which I wholeheartedly agree. These two remarks—separated in time by the short period of 13 years—illustrate, I am sure, better than all my previous remarks the revolution in the approach to investing pension funds. Those of us who make a profession and career in this field face the future with the knowledge that the opportunities for successful performance abound, and that the extent to which the challenge is met depends largely upon the skill and diligence which we bring to our task. There need be no real limitations other than those of our own making.

George Harris Forms Co.

(Special to The Financial Chronicle)

DENVER, Colo. — George R. Harris has formed G. R. Harris & Co. with offices in the First National Bank Building to engage in a securities business. Mr. Harris is president of the new company. He was formerly with Garrett-Bromfield & Co.

Now With Walston Co.

(Special to The Financial Chronicle)

MODESTO, Calif. — William H. Newell has become connected with Walston & Co., Inc., 1028 Eleventh Street.

Michael Welter Opens

BEAVER FALLS, Pa.—Michael Welter is engaging in a securities business from offices at Mounted Route 16.

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Private Electricity's Outlook In the United States

installed and to be installed for the four years 1958-1961 by the U. S. electric industry.

The total installed capacity in the USSR as reported by the Soviet Power Ministry was 48.3 million kw at the end of 1957. During the four years, 1958, 1959, 1960 and 1961, the United States will have installed a total of more than 50 million kw of new capacity.

Premier Khrushchev announced last November that the Soviet Government expects annual Russian output of electric power to reach 500 to 520 billion kwhr in 1965. By the same year United States output is expected to reach 1¼ *trillion* kwhr annually. In considering a comparison of this kind, it should be recognized that the Russians have a history of consistency in failing to reach goals such as they have set in electric power, while in the U. S. the electric industry has a long-established record of making carefully considered predictions and then exceeding them in actual growth.

In electric generating capacity, the Soviet Union has announced plans for adding 60 million kw by 1965. The total to be reached by that year would be 108 million kw for Russia, if their expectations are met. This compares with an estimated 250 million kw which the United States will have installed by 1965.

The Soviet Union plans to add an average of about 7½ million kw of capacity a year to 1965. During the same period the United States will be adding an average of over 14 million kw annually.

Total electric sales per capita in the U. S. in 1957 were four times those of the USSR.

In 1957 the United States generated about 4,180 kwhr of electricity per capita. Russian per capita production in the same year was 1,045 kwhr. Soviet output per capita now is about where the United States was in 1938—some 20 years behind. The chart shows the striking comparison in this trend since 1940.

I have presented a lot of facts and figures, but I can think of no more convincing way to point out that the electric industry, in continuing to meet the needs of the American people, will continue its world leadership in electric power supply.

The Present Job

As I view the electric industry—and the opinion surveys confirm this observation — the investor-owned companies in America are doing an outstanding job of planning, building and operating all of the electric facilities necessary to supply every customer. They are doing an outstanding job of giving those customers very reliable service at reasonable rates. To that extent, our industry can be proud of its accomplishments.

Ordinarily, one might think that with these accomplishments, future success is assured—but this does not necessarily follow.

The Job We Are Not Doing

People who have studied the situation are convinced that high wages, good working conditions and a high standard of living come from private ownership of business and from the type of government we have in the United States. They are convinced that Government ownership of business such as exists in Russia, in East Germany, and in other Iron Curtain countries, results in what we would call poverty and a very low standard of living.

In spite of this, in the electric utility industry we are faced with the following past history:

Government-Owned and Cooperative Generating Capacity

Year	%
1932	7
1940	14
1950	20
1957	24

We are faced with the fact that a very recent study completed by the Institute shows that 29% of the investment in the United States in electric properties is Government money, and that this 29% is paying only 2% of the total taxes being paid on electric properties and as a result of electric operations.

In simple figures, the investor-owned companies in 1958 paid $2 billion in taxes, or 5% of the $40 billion which those companies have invested in plant and equipment.

In fiscal 1956, the latest year for which figures are available, Government-financed power projects—Federal, municipal, REA's and PUD's—paid $44 million in taxes, or ⅓ of 1% of the nearly $13 billion invested in their facilities.

If Government-sponsored power properties paid 5% of their investment, they would pay $705 million instead of $44 million.

In other words, the tax loss as a result of Government-supported power projects instead of those facilities being investor-owned, is no less than $661 million per year.

The job that the electric utility industry is not doing is that of explaining to the people of America that Government ownership is not healthy for the people—that Government ownership of one business leads to Government ownership of other businesses—that Government ownership leads to less freedom and a lower standard of living.

We have not succeeded in convincing other American industry that nationalization of the electric industry will ultimately lead to nationalization of other industry, that nationalization of other industry will lead to Government controls and economic influence which can have a vital effect on the economy of other American business.

The investor-owned electric industry has its Electric Companies Advertising Program, its Public Information Program, its Edison Electric Institute, and each company has its own individual program. But obviously all of this is not enough—it is not doing the job.

We are endeavoring to develop further programs which may well be of inestimable benefit to the future prosperity of America. Nevertheless, ceaseless agitation and a constant series of maneuvers are conducted in some quarters to push Government further and further into the power business.

Here, for example, is another development on the Government competition front which could have consequences reaching far beyond the electric companies.

Taxation and Electric Company Advertising

This first came to light just a year ago when Senator Estes Kefauver made public a letter from Russel C. Harrington, then Commissioner of Internal Revenue, in which he advised the Senator that the advertisements of "America's Independent Electric Light and Power Companies" had been studied and that the contributions paid by the particular companies for the advertisements do not constitute allowable deductions for income tax purposes.

In August the Federal Power Commission followed up with an order questioning the accounting treatment which 76 electric companies had given to the costs of nine of the 1957 ads.

Now it is interesting that the Electric Companies Advertising Program had been operated by a group of companies with N. W. Ayer, Inc., as its advertising agency for some 16 years, without any question of its propriety as an operating expense being raised until last year.

It is also interesting that while Senator Kefauver and others have called these ads "political propaganda, pure and simple," they have not refuted the truth of the statements on tax advantages and other aspects of Government power which the ads have attempted to call to the attention of the American people.

Hearings Before FPC and IRS

The electric companies have not taken lightly this effort to curtail their endeavors to inform the public. At this time, the case is being argued vigorously before the Federal Power Commission by counsel for the companies involved, both on an over-all and an individual basis. It is expected that there will be hearings before the Internal Revenue Service in the not-too-far-distant future.

Rather than go into the involved legal considerations and procedures now in progress, I would like to quote briefly from an offer of proof put before the FPC on Jan. 6 by A. J. G. Priest, representing 66 electric companies.

He said in part that they expected to prove through competent witnesses "that every existing investor-owned company is threatened by activities of government power; that the managements of such companies have the obligation (a) to explain and advance their competitive position among present and prospective security holders, customers and employees; and (b) to answer the vilification to which they are subjected by government power advocates, thus preserving the integrity and good name of the enterprise; that this obligation, and hence the companies' business interests are served by the ECAP advertising . . ."

Also detailed testimony will show 'that government power has been propagandized through various techniques, including advertising, the use of publicity arising out of created events, the distribution of pamphlets and many other means and that such propagandizing has been paid for with tax dollars and tax-exempt dollars."

Obligation to Meet Government Competition

Further, competent witnesses are expected to prove that "it is a basic obligation of the management of investor-owned utilities to meet the competition of Government power; that advertising is the most commonly accepted means of meeting any such competition; that simply because the competitor is the Government or one of its agencies or instrumentalities does not render advertising any less ordinary, acceptable, desirable or necessary."

We of the investor-owned electric industry feel very strongly about this situation. Here we have agencies of Government sitting in apparent judgment on what the content of advertising shall be, if it is not to be subject to a taxation penalty. More than that, we see agencies of Government making this determination in such a way that it will favor other governmental activities competing with legitimate investor-owned businesses seeking to meet that competition.

Step-Up in Government Power Publicity

There are those, particularly among our competitors in the Government power business, who seek to minimize the importance of this issue. At the same time, they are in the process of stepping up their own campaigns of publicity, advertising, and information—the expenses of which will be met by their customers and the taxpayers.

Right now, this may appear to be a cloud no bigger than a man's hand—but the implications which it carries for freedom of speech, of the press, and, indeed, for all of our freedoms are serious. Judging from the editorials and comment in many of the nation's newspapers and periodicals which we have seen over the last year, we are not alone in our concern.

The electric companies are not alone in facing penalties for certain statements. The Association of American Physicians and Surgeons, an organization composed of outstanding medical men, has also been faced with an Internal Revenue Service interpretation of material which it has developed in an endeavor to compete with socialized medicine. Commissioner Harrington wrote: "Opposing Socialization of the medical or other segment of the economy or supporting the principles of individual liberty and freedom of individuals in the medical profession or elsewhere, the dissemination of information on the advantages of our American free enterprise system, or support of the principles enunciated in the Constitution or Bill of Rights, are not, in our opinion, *per se* educational functions or objectives . . . and you are not entitled to exemption from Federal income tax . . ."

I think this is a matter of concern not only to the industry and all communications media, but to all Americans, carrying a most disturbing significance for the future.

The investor-owned electric companies, in facing their competition and in their expansion plans for the future, are expressing their confidence in the people of the United States and the nation's economic system. We firmly believe that the course we are following is in the best interest of every American.

Louis Nicoud, et al., Join Paine, Webber Firm

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Louis Nicoud, Jr., Curtis H. Baer, Thomas J. Brant, Jr., Robert K. Connolly, Stevens Manning, Jr., John T. Smead and Richard W. Stevenson have become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Nicoud was formerly Los Angeles representative for Eaton & Howard, Incorporated.

Donahue President of Income Foundation Fund

PITTSBURGH, Pa. — John F. Donahue has been elected President of Income Foundation Fund.

Mr. Donahue, a member of the board of trustees and formerly Vice-President, succeeds David W. Barton who had the dual role of president and chairman of trustees. Mr. Barton continues in the latter office.

Oscar Kraft Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Walter E. Partridge has been added to the staff of Oscar F. Kraft & Co., 530 West Sixth Street. He was formerly with Morgan & Co.

Joins Merrill Lynch

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — John T. Taylor Jr., is now affiliated with Merrill Lynch, Pierce, Fenner & Smith Incorporated, 523 West Sixth Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Acme Oil Corp., Wichita, Kan.
Feb. 4 (letter of notification) 95,830 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For development of oil and gas properties. **Office**—Orpheum Bldg., Wichita, Kan. **Underwriter**—Lathrop, Herrick & Smith, Inc., Wichita, Kan.

Advanced Research Associates, Inc.
Dec. 1 filed 400,000 shares of common stock (par five cents). **Price**—$6 per share. **Proceeds**—For research and development program; and for equipment and working capital. **Office** — 4130 Howard Ave., Kensington, Md. **Underwriters** — Wesley Zaugg & Co., Kensington, Md., and Williams, Widmayer Inc., Washington, D. C. **Offering**—Expected in January.

Alaska Juneau Gold Mining Co.
Dec. 29 filed 640,660 outstanding shares of common stock, of which 300,000 shares are to be offered currently and the remaining 340,660 shares in the future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—6327 Santa Monica Boulevard, Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif. No public offering expected.

● **Algom Uranium Mines Ltd.**
Jan. 15 filed 822,010 shares of common stock being issuable upon the exercise of outstanding stock purchase warrants of the company which entitle the holders to purchase common shares at $11 (Canadian) per share at any time to and including March 2, 1959. **Proceeds**—To be used for general corporate purposes and may be applied to the redemption or repurchase of the company's mortgage debentures. **Office** — 335 Bay St., Toronto, Canada. **Underwrite** — None. Statement effective Feb. 12.

Allied Publishers, Inc., Portland, Ore.
Nov. 28 (letter of notification) 22,000 shares of common stock (par $1). **Price**—$8.50 per share. **Proceeds**—For general corporate purposes. **Office**—665 S. Ankeny St. Portland 14, Ore. **Underwriter**—First Pacific Investment Corp., Portland, Ore.

● **All-State Properties Inc.**
Dec. 29 filed 985,734 shares of capital stock (par $1), of which 685,734 shares are being offered for subscription by stockholders at the rate of 1½ new shares for each share held as of Feb. 10, 1959; rights to expire on Feb. 25, 1959. The remaining 300,000 shares were offered publicly. **Price**—$2 per share. **Proceeds**—For additional working capital and new acquisition, etc. **Office** — 30 Verbena Avenue, Floral Park, N. Y. **Underwriters**—For public offering only: Alkow & Co., Inc.; Hardy & Co.; John H. Kaplan & Co.; Levien, Greenwald & Co.; and Schrijver & Co.; all of New York.

American Asiatic Oil Corp.
Nov. 24 filed 100,000,000 shares of capital stock. **Price**—Two cents per share. **Proceeds**—To selling stockholders. **Office**—Magsaysay Building, San Luis, Ermita, Manila, Republic of Philippines. **Underwriter** — Gaberman & Hagedorn, Inc., Manila, Republic of Philippines.

American Buyers Credit Co.
Nov. 13 filed 5,000,000 shares of common stock, of which 4,545,455 shares of this stock are to be offered for public sale at $1.75 per share. [Shares have been issued or are issuable under agreements with various policy holders in American Buyers Life Insurance Co. and American Life Assurance Co. (both of Phoenix) permitting them to purchase stock at $1.25 per share. Sales personnel have been given the right to purchase stock at $1.25 per share up to the amount of commission they receive on stock sales made by them.] **Proceeds**—For the operation of other branch offices, both in Arizona and in other states. **Office**—2001 East Roosevelt, Phoenix, Ariz. **Underwriter**—None.

American Enterprise Fund, Inc., New York
Oct. 30 filed 487,897 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Edward A. Viner & Co., Inc., New York.

★ **American Fidelity Life Insurance Co., Pensacola, Fla.**
Feb. 18 filed 280,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—Working capital for expansion purposes. **Underwriter** — Alex. Brown & Sons, and R. S. Dickson & Co., Inc.

American Growth Fund, Inc., Denver, Colo.
Nov. 17 filed 1,000,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Office**—800 Security Building, Denver, Colo. **Underwriter**—American Growth Fund Sponsors, Inc., 800 Security Bldg., Denver 2, Colo.

★ **American-Marietta Co.**
Feb. 12 filed 3,500,000 shares of common stock (par $2) and 67,310 shares of 5% cumulative preferred stock (par $100) to be used in connection with the acquisition of stocks and assets of other companies, of which 677,900 shares of common stock and 2,500 shares of preferred stock have already been issued.

American Mutual Investment Co., Inc.
Dec. 17, 1957, filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds** — For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office**—900 Woodward Bldg., Washington, D. C. **Underwriter**—None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Natural Gas Co. (2/26)
Jan. 29 filed 486,325 shares of common stock (par $25) to be offered for subscription by common stockholders of record Feb. 26, 1959, at the rate of one new share for each 10 shares then held (with an oversubscription privilege); rights to expire on March 12. **Price**—To be determined just prior to offering. **Proceeds**—To be used as the equity base for the financing of substantial expansion programs of system companies. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Drexel & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 26 at 165 Broadway, New York 6, N. Y.

American Premier Insurance Co.
Feb. 2 (letter of notification) 9,000 shares of capital stock (par $16) to be offered for subscription by stockholders of record Feb. 4, 1959 at rate of 9/16ths of a share for each share held. **Price**—$33 per share. **Proceeds**—For capital and surplus accounts. **Office** — 15 North Broadway, Rochester, Minn. **Underwriter**—J. M. Dain & Co., Inc., Minneapolis, Minn.

American Telemail Service, Inc.
Feb. 17, 1958, filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York. **Change in Name**—Formerly United States Telemail Service, Inc. **Offering**—Expected early in 1959.

Armstrong Uranium Corp.
Jan. 16 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Hepburn T. Armstrong, Round Up Heights, Cheyenne, Wyo. **Underwriter**—Bruno-Lenchner, Inc., Pittsburgh, Pa.

Associated Bowling Centers, Inc.
Nov. 24 filed 300,000 shares of 20-cent cumulative convertible preferred stock (par one cent) and 50,000 outstanding shares of common stock (par one cent). The preferred shares are to be offered for public sale for the account of the company and the common shares will be offered for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To acquire new bowling centers and increase working capital (part to be used in defraying cost of acquisition of stock of owner of a Brooklyn (N.Y.) bowling center. **Office**—135 Front St., N. Y. **Underwriter** — To be named by amendment. **Offering**—Expected any day.

Atlas Investment Co.
Feb. 3 filed 50,000 shares of common voting stock (par $10). **Price** — $25 per share. **Proceeds** — To purchase additional contribution certificates of Great Basin Insurance Co. **Office**—704 Virginia Street, Reno, Nev. **Underwriter**—None.

Australian Grazing & Pastoral Co., Ltd.
Jan. 13 filed 4,000,000 shares of common stock. **Price**—At par (56¼ cents per share). **Proceeds**—To purchase cattle; for improvements; to buy additional ranch in Queensland, Australia; and for other corporate purposes. **Office**—1301 Avenue L, Cisco, Tex. **Underwriter**—None. Robert Kamon is President.

Bankers Fidelity Life Insurance Co.
Feb. 28, 1958, filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office**—Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp.
Feb. 10, 1958, filed 400,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—1404 Main St., Houston, Texas. **Underwriter**—McDonald, Kaiser & Co., Inc. (formerly McDonald, Holman & Co., Inc.), New York.

Bankers Preferred Life Insurance Co.
Jan. 30 (letter of notiifcation) 100,000 shares of common stock (par $1.60). **Price**—$3 per share. **Proceeds**—For expenses incidental to operation of an insurance company. **Office**—Suite 619, E. & C. Bldg., Denver, Colo. **Underwriter**—Ringsby Underwriters, Inc., Denver 2, Colo.

● **Barden Corp.**
Jan. 22 filed 102,533 shares of common stock, being offered for subscription by stockholders at the rate of one new share for each six shares held on Feb. 18, 1959; rights to expire on March 5. **Price**—$16 per share. **Proceeds**—To reduce bank loan indebtedness; for property additions; to acquire manufacturing laboratory equipment; and the balance for general corporate purposes. **Office**—East Franklin St., Danbury, Conn. **Underwriter**—Shearson, Hammill & Co., New York.

● **Bargain Centers, Inc. (2/19)**
Nov. 20 (letter of notification) $240,000 of 6% subordinated convertible debentures due Jan. 1, 1969 and 60,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 25 shares of stock. **Price**—$125 per unit. **Proceeds**—For equipping and decorating a new store and acquisition of real estate for a new warehouse and working capital. **Office**—c/o Edward H. Altschull, President, 1027 Jefferson Circle, Martinsville, W. Va. **Underwriter**—Securities Trading Corp., Jersey City, N. J. Statement effective Feb. 11.

Bargain City, U. S. A., Inc.
Dec. 29 filed 5,000,000 shares of class A common stock (no par). **Price**—$3 per share. **Proceeds**—For expansion and acquisition or leasing of new sites. **Office** — 2210 Walnut Street, Philadelphia, Pa. **Underwriter**—None.

Bellechasse Mining Corp. Ltd.
Oct. 29 filed 800,000 shares of common stock (par $1). **Price**—Related to market price on Canadian Stock Exchange, at the time the offering is made. **Proceeds**—To be applied over the balance of 1958 and the next three years as follows: for annual assessment work on the company's properties (other than mining claims in the Mt. Wright area in Quebec); for general prospecting costs; and for general administration expenses. **Office**—Montreal, Canada. **Underwriters** — Nicholas Modinos & Co. (Washington, D. C.) in the United States and by Forget & Forget in Canada. Statement effective Jan. 27.

● **Blossman Hydratane Gas, Inc. (2/26)**
Dec. 29 filed $1,200,000 of 5% subordinated convertible debentures due Dec. 31, 1978 and 120,000 shares of common stock (par $1) to be offered in units of $500 of debentures and 50 shares of common stock. **Price**—$500 per unit, plus accrued interest on debentures. **Proceeds**—To retire short-term bank loans, and for working capital to be used for general corporate purposes. **Business**—Sale and distribution of liquified petroleum gas. **Office**—Covington, La. **Underwriters** — S. D. Fuller & Co., New York and Howard, Weil, Labouisse, Friedrichs & Company, New Orleans, La.

Bridgehampton Road Races Corp.
Oct. 23 (letter of notification) 15,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Nov. 1, 1958 on the basis of one new share for each four shares held; unsubscribed shares will be offered to current creditors in payment of all or part of claims, at the rate of one share for each $4 of claims discharged; rights to expire about two weeks after mailing of offer. **Price**—$4 per share. **Proceeds**—To pay current creditors. **Address** — P. O. Box 506, Bridgehampton, L. I.; N. Y. **Underwriter** — None. **Offering**—Has been delayed.

Brookridge Development Corp.
Dec. 19 (letter of notification) $200,000 of 6% 15-year convertible debentures. **Price**—At par ($500 per unit). **Proceeds**—For expansion and working capital. **Office**—901 Seneca Ave., Brooklyn 27, N. Y. **Underwriter** — Sano & Co., 15 William St., New York, N. Y.

★ **Brunson Instrument Co., Kansas City, Mo.**
Feb. 9 (letter of notification) 31,500 shares of common stock (par $3.50). **Price**—$9.50 per share. **Proceeds**—For working capital. **Underwriter**—Stern Bros. & Co., Kansas City, Mo.

★ **Butler Brothers, Chicago, Ill.**
Feb. 17 filed 30,000 shares of common stock to be offered to certain Ben Franklin Franchise Holders. Company provides services and merchandise to Ben Franklin Stores. **Underwriters**—None.

Calvert Drilling, Inc. (2/24)
Jan. 30 filed 100,012 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each five shares held on Feb. 24; rights to expire on March 10. **Price**—To be supplied by amendment. **Proceeds**—For development of producing properties and for general corporate purposes. **Office**—204 South Fair St., Olney, Ill. **Underwriter** — W. E. Hutton & Co., New York, N. Y., and Cincinnati, Ohio.

Canal-Randolph Corp.
Jan. 28 filed 816,721 shares of common stock (par $1). The corporation proposes to offer to purchase shares of common and preferred stock of United Stockyards, and/or at the option of the holder, to exchange shares of United for shares of Canal-Randolph. The rate of exchange is to be supplied by amendment. **Price**—To be supplied by amendment. **Underwriters**—New York Hanseatic Corp., New York, and Rea Brothers Ltd., London, England. The former has agreed to acquire not in excess of 162,500 shares of Canal-Randolph common; and the latter a maximum of 110,500 shares.

● **Carraco Oil Co., Ada, Okla. (2/24-27)**
Nov. 10 (letter of notification) 199,733 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For development, drilling and other general corporate purposes. **Underwriter**—Berry & Co., New York.

Cemex of Arizona, Inc.
Nov. 17 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1849, 3720 E. 32nd Street, Yuma, Ariz. **Underwriter**—L. A. Huey Co., Denver, Colo.

Central Illinois Electric & Gas Co. (2/19)
Jan. 21 filed 145,940 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of record Feb. 17, 1959 (with an oversubscription privilege); rights to expire on March 5, 1959. **Price**—To be supplied by amendment. **Proceeds**—To be used for construction and for payment of bank loans. **Underwriter**—Stone & Webster Securities Corp., New York.

● **Century Food Markets Co.**
Jan. 9 filed 118,112 shares of common stock (par $1) being offered for subscription by holders of common stock at the rate of one new share for each five shares held as of Feb. 13, 1959; rights to expire on March 2, 1959. **Price**—$5 per share. **Proceeds**—To discharge bank loan

and to replenish working capital. **Underwriter**—Janney, Dulles & Battles, Inc., Philadelphia, Pa.

★ Century Properties

Feb. 11 (letter of notification) 58,250 shares of common stock (par $1). **Price**—$4.25 per share. **Proceeds**—To repay a bank loan and for working capital. **Office**—1758 South La Cienega Blvd., Los Angeles, Calif. **Underwriter**—None.

City Lands, Inc., New York

Jan. 13 filed 100,000 shares of capital stock. **Price**—$20 per share. **Proceeds**—To invest in real estate. **Office**—Room 3748, 120 Broadway, New York, N. Y. **Underwriter**—Model, Roland & Stone, New York. **Offering** — Expected in February.

★ Cleveland Electric Illuminating Co.

Feb. 18 filed $25,000,000 of first mortgage bonds, due 1984. **Price**—To be determined by competitive bidding. **Proceeds**—Payment of bank loans and general corporate purposes. Probable bidders: First Boston Corp.; Dillon, Read & Co., Inc.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; and White, Weld & Co.

Clute Corp.

Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter**—Lowell, Murphy & Co., Inc., Denver, Colo.

★ Colorado Interstate Gas Co., Colorado Springs, Colo.

Feb. 18 filed $33,000,000 first mortgage pipeline bonds, due 1979, and 120,000 shares of cumulative preferred stock ($100 par). **Price**—To be supplied by amendment. **Proceeds** — Repay $40,000,000 bank loans; balance for general funds. **Underwriter**—Dillon, Read & Co., Inc., and Eastman Dillon, Union Securities & Co.

Combustion Engineering, Inc.

Dec. 19 filed 64,011 shares of capital stock to be offered in exchange for 81,002 shares of the outstanding common stock and for 2,131 shares of the outstanding $100 par preferred stock of General Nuclear Engineering Corp., at the rate of seven shares and 3.4302 shares of Combustion Engineering stock for each 10 shares of common stock and each share of preferred stock, respectively, of General Nuclear Engineering (of Dunedin, Fla.).

Commerce Oil Refining Corp.

Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commercial Investors Corp.

Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah.

Connecticut Light & Power Co.

Jan. 16 filed 762,565 shares of common stock (no par) being offered to common stockholders of record Feb. 5, 1959, at the rate of one new share for each unit of 10 shares or less then held; rights to expire on Feb. 24. Certain officers and employees of the company and its subsidiaries were entitled to subscribe up to and including Feb. 19 for shares not subscribed for by stockholders. **Price**—$22.50 per share. **Proceeds** — Together with funds available from internal sources are to be used to repay certain outstanding bank loans, to finance in part the company's 1959 construction program, and for other corporate purposes. **Underwriters**—Morgan Stanley & Co., New York; Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; Estabrook & Co., New York and Boston, Mass.

Cormac Chemical Corp.

Jan. 22 filed 108,667 units of 108,667 shares of common stock (par one cent) and 108,667 common stock purchase warrants, each unit consisting of one common share and one warrant, to be offered for subscription by holders of the common stock of Cormac Photocopy Corp. at the rate of one such unit for every six shares of Cormac Photography common held. **Price**—$2 per unit. **Proceeds**—To finance the company's development and marketing program. **Office**—80 Fifth Avenue, New York, N. Y. **Underwriter**—Ross, Lyon & Co. Inc., New York.

Cryogenic Engineering Co.

Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds** — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. **Office**—U. W. National Bank Bldg., 1740 Broadway, Denver, Colo. **Underwriter**—L. A. Huey, Denver, Colo.

Derson Mines Ltd.

June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

Diversified Inc., Amarillo, Texas

Jan. 6 filed 300,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—For acquisition of undeveloped real estate, for organization or acquisition of consumer finance business, and balance to be used for working capital. **Underwriter** — Investment Service Co., Denver, Colo., on a best efforts basis.

Drug Fair-Community Drug Co., Inc. (3/2-6)

Feb. 10 filed $750,000 of 5½% subordinated sinking fund debentures due March 1, 1974 (with warrants attached to purchase 37,500 shares of $1 par value common stock A). **Price**—At par (in units of $500 each). **Proceeds**—To finance current operations, to open new drug stores and to retire $60,000 of outstanding 8½% debentures. **Office**—Arlington, Va. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

Duquesne Light Co. (2/24)

Jan. 27 filed $10,000,000 of first mortgage bonds due March 1, 1989. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Kuhn, Loeb & Co., Eastman Dillon, Union Securities & Co., A. C. Allyn & Co., Inc., and Ladenburg, Thalmann & Co. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; Drexel & Co. and Equitable Securities Corp. (jointly). **Bids**—Scheduled to be received up to 11:30 a.m. (EST) on Feb. 24.

Eastern Utilities Associates (3/4)

Jan. 30 filed 96,765 shares of common stock (par $10) to be offered for subscription by common stockholders of record about March 4, 1959 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on March 19. **Proceeds**—To reduce bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Stone & Webster Securities Corp. **Bids**—To be received up to 11 a.m. (EST) on March 4 at 49 Federal St., Boston, Mass.

Emerite Corp.

Jan. 19 (letter of notification) 250,000 shares of series 3 common stock (no par) to be offered for subscription by stockholders on the basis of one share of series 3 stock for each three shares of series 1 and/or series 2 common stock held; unsubscribed shares to other stockholders. Rights expire 30 days from offering date. **Price**—$1 per share. **Proceeds**—For working capital. **Office**—333 S. Farish Street, Jackson, Miss. **Underwriter**—None.

★ Equitable Gas Co., Pittsburgh, Pa.

Feb. 18 filed 60,000 shares of convertible preferred stock ($100 par). **Price**—To be supplied by amendment. **Proceeds**—Repayment of bank loans. **Underwriter** — First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith, Inc.; and White, Weld & Co.

● Erie Forge & Steel Corp.

Jan. 9 filed 238,025 shares of common stock being offered for subscription by common stockholders at the rate of one new share for each four shares held as of Feb. 11 (with an oversubscription privilege); rights to expire March 2. **Price**—$6.12½ per share. **Proceeds**—To complete modernization and expansion program and for working capital. **Underwriters**—Lee Higginson Corp., and P. W. Brooks & Co., Inc., both of New York City.

Federated Corp. of Delaware

Dec. 29 filed $918,000 of 6% convertible subordinated debentures due 1968. The company proposes to offer $210,000 of the debentures to purchase the capital stock of Consumers Time Credit, Inc., a New York company; $442,000 of the debentures in exchange for Consumers debentures; and $226,000 of the debentures in exchange for the outstanding 12% debentures of three subsidiaries of Federated. **Office**—1 South Main Street, Port Chester, N. Y. **Underwriter**—None.

Federated Finance Co.

Nov. 17 (letter of notification) $300,000 of 10-year 6% senior subordinated debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital, to make loans, etc. **Office**—2104 "O" St., Lincoln, Neb. **Underwriters** — J. Cliff Rahel & Co. and Eugene C. Dinsmore, Omaha, Neb.

Finance For Industry, Inc.

Dec. 16 filed 200,000 shares of class A common stock. **Price**—At par ($1.50 per share). **Proceeds**—For working capital. **Office**—508 Ainsley Bldg., Miami, Fla. **Underwriter** — R. F. Campeau Co., Penobscot Bldg., Detroit, Mich.

★ First Virginia Corp.

Feb. 12 filed 1,154,730 shares of class B common stock (par $1), to be offered in exchange for 38,491 shares of common stock of Old Dominion Bank at the rate of 30 shares of First Virginia class B stock for each one share of Old Dominion common stock.

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NEW ISSUE CALENDAR

February 19 (Thursday)

Barden Corp.________Common
(Offering to stockholders—underwritten by Shearson, Hammill & Co.) 102,533 shares

Bargain Centers, Inc.________Debentures
(Securities Trading Corp.) $300,000

Central Illinois Electric & Gas Co.________Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 145,940 shares

U. S. Land Development Corp.________Common
(Aetna Securities Corp. and Roman & Johnson) $1,055,000

February 20 (Friday)

United States Pool Corp.________Common
(Ross, Lyon & Co., Inc.) $300,000

February 24 (Tuesday)

Calvert Drilling, Inc.________Common
(Offering to stockholders—underwritten by W. E. Hutton & Co.) 100,012 shares

Carraco Oil Co.________Common
(Berry & Co.) $299,600

Chicago, Rock Island & Pacific RR.___Equip. Tr. Ctfs.
(Bids noon CST) $5,130,000

Duquesne Light Co.________Bonds
(Bids 11:30 a.m. EST) $10,000,000

Harman-Kardon, Inc.________Common
(Milton D. Blauner & Co., Inc.) $600,000

February 25 (Wednesday)

Illinois Bell Telephone Co.________Bonds
(Bids 11 a.m. EST) $50,000,000

Sawhill Tubular Products, Inc.________Common
(McDonald & Co. and Kidder, Peabody & Co.) 225,000, shares

Talcott (James), Inc.________Common
(F. Eberstadt & Co. and White, Weld & Co.) 150,000 shares

Thomas & Betts Co.________Common
(Smith, Barney & Co.) 300,000 shares

February 26 (Thursday)

American Natural Gas Co.________Common
(Offering to stockholders—bids 11 a.m. EST) 486,325 shares

Blossman Hydratane Gas, Inc.____Debens. & Com.
(S. D. Fuller & Co. and Howard Weil, Labouisse, Friedrichs & Co.) $1,200,000 debentures and 120,000 common shares

Jamaica (Government of)________Bonds
(Kuhn, Loeb & Co.) $12,500,000

February 27 (Friday)

Piedmont Natural Gas Co.________Common
(Offering to stockholders—underwritten by White, Weld & Co.) 56,301 shares

TV Junior Publications, Inc.____Com. & Warrants
(Charles Plohn & Co.) $375,000

March 2 (Monday)

Miami Window Corp.________Debentures
(Cruttenden, Podesta & Co. and Clayton Securities Corp.) $2,500,000

March 3 (Tuesday)

Pacific Power & Light Co.________Common
(Offering to stockholders—bids 8 a.m. PST) 207,852 shares

Standard Security Life Insurance Co. of N. Y._Com.
(Ira Haupt & Co. and Savard & Hart) $1,500,000

March 4 (Wednesday)

Eastern Utilities Associates________Common
(Offering to stockholders—bids 11 a.m. EST) 96,765 shares

Glass-Tite Industries, Inc.________Common
(Stanley Heller & Co.) $330,000

March 5 (Thursday)

Western Casualty & Surety Co.________Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and Prescott, Wright, Snider Co.) 100,000 shares

March 6 (Friday)

Pioneer Hydrotex Industries, Inc.____Debentures
(Cruttenden, Podesta & Co. and Schneider, Bernet & Hickman) $300,000

March 10 (Tuesday)

Itek Corporation________Common
(Offering to stockholders—underwritten by Paine, Webber, Jackson & Curtis) 164,842 shares

Northern Indiana Public Service Co.________Bonds
(Bids to be invited) $25,000,000

March 16 (Monday)

Standard Sign & Signal Co.________Common
(Sano & Co.) $300,000

March 30 (Monday)

Ohio Power Co.________Bonds
(Bids 11 a.m. EST) $25,000,000

March 31 (Tuesday)

California Electric Power Co.________Common
(Bids 9 a.m. PST) 300,000 shares

Monongahela Power Co.________Bonds
(Bids to be invited) $16,000,000

April 2 (Thursday)

Gulf Power Co.________Bonds
(Bids to be invited) $7,000,000

April 15 (Wednesday)

Wisconsin Power & Light Co.________Bonds
(Bids to be invited) $14,000,000

April 30 (Thursday)

Alabama Power Co.________Bonds
(Bids to be invited) $20,000,000

May 26 (Tuesday)

West Penn Power Co.________Bonds
(Bids to be received) $15,000,000

May 28 (Thursday)

Southern Electric Generating Co.________Bonds
(Bids to be invited) $25,000,000

June 2 (Tuesday)

Virginia Electric & Power Co.________Common
(Bids to be received) $20,000,000 to $25,000,000

June 25 (Thursday)

Mississippi Power Co.________Bonds
(Bids to be invited) $5,000,000

September 10 (Thursday)

Georgia Power Co.________Bonds
(Bids to be invited) $18,000,000

Postponed Financing

Montana Power Co.________Bonds
(Bids to be invited) $20,000,000

Pennsylvania Power Co.________Bonds
(Bids to be invited) $8,000,000

Continued from page 39

Florida Builders, Inc.
Dec. 1 filed $4,000,000 of 6% 15-year sinking fund subordinated debentures and 40,000 shares of common stock, to be offered in units of $100 principal amount of debentures and one share of common stock. **Price** — $110 per unit. **Proceeds**—For purchase and development of subdivision land, including shopping site; for new equipment and project site facilities; for financing expansion program; and for liquidation of bank loans and other corporate purposes. **Office**—700 43rd St., South, St. Petersburg, Fla. **Underwriter**—None.

Fort Pierce Port & Terminal Co.
Nov. 25 filed 2,138,500 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To pay short-term loans and for completing company's Port Development Plan and rest added to general funds. **Office** — Fort Pierce, Fla. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla.

Foundation Investment Corp., Atlanta, Ga.
Jan. 13 filed 231,988 shares of common stock to be offered for subscription by stockholders; unsold portion to be offered publicly. **Price**—$12.50 per share. **Proceeds** —To repay notes. **Office**—515 Candler Bldg., Atlanta, Ga. **Underwriter**—None.

General Alloys Co.
Nov. 17 (letter of notification) 45,250 shares of common stock (par $1) of which 16,900 shares are to be offered to employees and the remainder to the public. **Price**—To employees, $1.1805 per share. **Proceeds**—To purchase and install machinery and equipment. **Office**—367-405 West First St., Boston, Mass. **Underwriter**—William S. Prescott & Co., Boston, Mass.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) Proceeds—To the Attorney General of the United States Underwriter—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

● **Glass-Tite Industries, Inc. (3/4)**
Jan. 30 filed 110,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To retire $35,000 of 6% preferred stock; for research, development and improvement of new and present products; for purchase of a high temperature atmosphere furnace and additional test equipment and the balance will be added to working capital and be used for other corporate purposes. **Office**—88 Spectable St., Cranston, R. I. **Underwriter**—Stanley Heller & Co., New York.

Government Employees Variable Annuity Life Insurance Co.
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co., on the basis of one warrant per share of stock held (1,334,570 shares are now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held (as of Dec. 31, 1958 there were 143,703 shares of stock outstanding and $589,640 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,733 common shares would be outstanding. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office**—Government Employees Insurance Bldg., Washington, D. C. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass. **Offering**—Indefinitely postponed pending Supreme Court decision on variable annuities.

★ **Grays Harbor Grange Supply Co., Satsop, Wash.**
Feb. 3 (letter of notification) $40,000 principal amount of 4% cumulative bonds to be offered in denominations of $50, $100 and $500 each. **Price**—At par. **Proceeds**—For working capital. **Underwriter**—None.

★ **Greater All American Markets**
Feb. 16 it was announced that the company is planning an offering of $1,000,000 to $1,500,000 of common stock. **Proceeds** — For expansion program. **Underwriter** — J. Barth & Co., San Francisco, Calif. **Registration**—Expected in the latter part of March. **Offering**—Expected sometime in April.

★ **Grizzly Peak Inc.**
Feb. 3 (letter of notification) 1,491 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For development program. **Address** — P. O. Box 695, Red Lodge, Mont. **Underwriter**—None.

Growth Fund of America, Inc.
Feb. 4 filed 250,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Office**—1825 Connecticut Avenue, Washington, D. C. **Investment Advisor**—Investment Advisory Service, Washington, D. C. **Underwriter**—Investment Management Associates, Inc., Washington, D. C.

● **Harman-Kardon, Inc. (2/24-26)**
Jan. 23 filed 200,000 shares of common stock, of which the company proposes to offer 95,000 shares and 105,000 shares will be sold for the account of Bernard Kardon, Vice-President and General Manager. **Price** — $3 per share. **Proceeds**—To eliminate $100,000 of outstanding bank loans, and for working capital. **Office**—520 Main Street, Westbury, N .Y. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,820 shares of non-voting convertible preference stock (par $12) to be offered for subscription by stockholders on the basis of one share of convertible preference stock for each 10 shares of common stock held on or about Nov. 1, 1958. Stockholders will have 45 days in which to exercise the rights. **Price** — At par. **Proceeds** — To repay debts, acquisition of investments, and for general purposes. **Address**—P. O. Box-348, Albany, N. Y. **Underwriter**—None.

Heliogen Products, Inc.
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office** — 35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512, 11 Broadway, New York 4, N. Y.

Highway Trailer Industries, Inc.
Nov. 24 filed 473,000 outstanding shares of common stock (par 25 cents). **Price**—At prices generally prevailing on the American Stock Exchange. **Proceeds** — To selling stockholders. **Office**—250 Park Avenue, N. Y. **Underwriter**—None.

Hinsdale Raceway, Inc., Hinsdale, N. H.
Dec. 29 filed capital trust certificates evidencing 1,000,000 shares of capital stock, and 2,000 debenture notes. **Price**—The common stock at par ($1 per share) and the notes in units of $500 each. **Proceeds**—For construction of a track, including land, grandstand, mutual plant building, stables and paddock, dining hall, service building, administrative building, penthouse, tote board and clubhouse. **Underwriter**—None.

Home-Stake Production Co., Tulsa, Okla.
Nov. 5 filed 116,667 shares of common stock (par $5). **Price**—$6 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 2202 Philtower Bldg., Tulsa, Okla. **Underwriter**—None.

● **Illinois Bell Telephone Co. (2/25)**
Feb. 4 filed $50,000,000 first mortgage bonds, series F, due March 1, 1994. **Proceeds** — For improvements, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 25, at Room 2315, 195 Broadway, New York, N. Y.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—To develop and operate graphite and mica properties in Alabama. Underwriters—Dearborn & Co. and Carr-Rigdom & Co. both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

International Bank, Washington, D. C.
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two-year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). **Price** —100% of principal amount. **Proceeds** — For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

Investment Corp. of Florida
Oct. 9 (letter of notification) 55,555 shares of common stock (par two cents). **Price**—$4.50 per share. **Proceeds** —For capital account and paid-in surplus. **Office**—Atlantic Federal Building, 1750 E. Sunrise Boulevard, Ft Lauderdale, Fla. **Underwriter**—None.

Investors Research Fund, Inc.
Jan. 9 filed 490,940 shares of common stock. **Price**—$12 per share. **Proceeds**—For investment. **Office**—922 Laguna St., Santa Barbara, Calif. **Investment Advisor**—Investors Research Co., Santa Barbara, Calif. **Underwriter** —Bache & Co., New York.

● **Israel (The State of) (3/6)**
Jan. 8 filed $300,000,000 of second development bonds, part to consist of 15-year 4% dollar coupon bonds (to be issued in five series maturing serially from March 1, 1974 to March 1, 1978) and 10-year dollar savings bonds (each due 10 years from first day of the month in which issued). **Price**—100% of principal amount. **Proceeds**—For improvements, etc. **Underwriter**—Development Corp for Israel, 215 Fourth Ave., New York City.

★ **Itek Corp. (3/10)**
Feb. 12 filed 178,842 shares of common stock (par $1), of which a total of 164,842 shares will be offered for subscription by stockholders at the rate of one new share for each four shares held on or about March 5, 1959; rights to expire on March 20. The remaining 14,000 shares will be offered to eligible employees. **Price**—To be supplied by amendment. **Proceeds**—To be used for acquisition of Photostat Corp.; to purchase additional laboratory, production and other equipment; towards construction of a new building on a plant site in Lexington, Mass.; and the balance for general corporate purposes. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

Itemco Inc.
Nov. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire machinery and equipment and additional space for test laboratories; and for working capital. **Office**—4 Manhasset Ave., Port Washington, L. I., N. Y. **Underwriter** — B. Fennekohl & Co., 205 East 85th St., New York, N. Y.

★ **Investors Funding Corp., New York City**
Feb. 18 filed $500,000 10% subordinated debentures, due July 31, 1964. **Price** — $1,000 units (par). **Proceeds**—Working capital and general funds. **Underwriter**—None.

★ **J. E. Plastics Manufacturing Corp.**
Feb. 16 filed 120,000 shares of common stock, of which 30,000 shares are issuable upon exercise of warrants, at $2.50 per share, from Nov. 1, 1959 to Nov. 1, 1961. The remaining 90,000 shares will be sold publicly; 50,000 shares on behalf of the company and 40,000 shares by selling stockholders. **Price** — At current market when offering of 90,000 shares is made. **Office**—400 Nepperhan Ave., Yonkers, New York.

Jamaica (Government of) (2/26)
Feb. 4 filed $10,000,000 of sinking fund external loan bonds due March 1, 1974 and $2,500,000 serial external loan bonds due semi-annually Sept. 1, 1960 through March 1, 1964, inclusive. **Price** — To be supplied by amendment. **Underwriter**—Kuhn, Loeb & Co., New York.

★ **Jenkintown Parking Corp.**
Feb. 3 (letter of notification) 220 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For working capital and purchase of lease. **Office**—c/o Donald R. Coffin, Secretary, 701 West Ave., Jenkintown, Pa. **Underwriter**—None.

Kimberly-Clark Corp.
Dec. 30 filed 225,000 shares of common stock (par $5) to be offered in exchange for common stock of the American Envelope Co. of West Carrollton, Ohio, on the basis of three-quarters of a share of Kimberly stock for each share of American. The offer will expire on Feb. 27, 1959. The exchange is contingent on acceptance by all of the stockholders. Statement effective Jan. 23.

Laure Exploration Co., Inc., Arnett, Okla.
Dec. 23 filed 400,000 shares of common stock. **Price**—$2 per share. **Proceeds**—For machinery and equipment and exploration purposes. **Underwriter**—None.

● **Lefcourt Realty Corp.**
Jan. 29 filed 3,492,000 shares of common stock, of which 2,622,000 shares were issued in exchange for all of the common stock of Desser & Garfield, Inc., and D. G. & R., Inc.; 750,000 shares will be used for the exercise of an option by the company to purchase from Big Mound Trail Corp. some 3,784.9 acres of land on or before May 1, 1959; and the remaining 120,000 shares are to be sold for the account of a selling stockholder. **Underwriter**—None.

Life Insurance Securities Corp.
March 28, 1958, filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

Ling Electronics, Inc.
Jan. 27 filed 335,000 shares of common stock, to be offered in exchange for the outstanding capital stock of Altec Companies, Inc., on the basis of one share of Ling stock for one share of Altec stock. The offer is subject to acceptance by holders of at least 80% of the outstanding Altec stock.

★ **Lorain Telephone Co.**
Feb. 11 (letter of notification) 1,562 shares of common stock (no par) to be offered for subscription by stockholders on a pro rata basis at the rate of one new share for approximately each 75.1120 shares held at the close of business on Feb. 2, 1959. **Price**—$32 per share. **Proceeds** — To reimburse the treasury. **Office** — 203 W. Ninth St., Lorain, Ohio. **Underwriter**—None.

LuHoc Mining Corp.
Sept. 29 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For the acquisition of properties under option and for various geological expenses, test drilling, purchase of equipment, and other similar purposes. **Offices**—Wilmington, Del., and Emporium, Pa. **Underwriter**—None.

Magic Mountain, Inc., Golden, Colo.
Jan. 27 filed 2,250,000 shares of common stock. **Price**—$1.50 per share. **Proceeds**—For construction and working capital. **Underwriter** — Allen Investment Co., Boulder, Colo., on a best-efforts basis.

Mairco, Inc.
Jan. 6 (letter of notification) 600 shares of common stock to be offered for subscription by stockholders of record Jan. 10, 1959 on the basis of one share of additional common stock for each five shares held; rights to expire on Jan. 30, 1959. **Price**—At par ($100 per share). **Proceeds**—For inventory and working capital. **Office**—1026 N. Main Street, Goshen, Ind. **Underwriter**—None.

★ **Mechanics Finance Co.**
Feb. 12 (letter of notification) $250,000 of 7% 20-year subordinated and unsecured debentures due July 10, 1979. **Price**—$10 per debenture. **Proceeds**—For general corporate purposes. **Office**—586 Newark Ave., Jersey City, N. J. **Underwriter**—None.

Mid-America Minerals, Inc.
Jan. 19 filed 100 units of participations in Oil and Gas Fund (the "1959 Fund"). **Price**—$15,000 per unit. **Proceeds** — For working capital, etc. **Office** — 500 Mid-America Bank Bldg., Oklahoma City, Okla. **Underwriter**—Midamco, Inc., a wholly-owned subsidiary, Oklahoma City, Okla.

Millsap Oil & Gas Co.
Dec. 23 filed 602,786 shares of common stock. **Price**—$1 per share. **Proceeds** — For additional working capital. **Office**—Siloam Springs, Ark. **Underwriter**—None.

★ **Minnesota Fund, Inc., Minneapolis, Minn.**
Feb. 4 filed (by amendment) an additional 200,000 shares of common stock (par one cent). **Price**—At market. **Proceeds**—For investment.

Mississippi Chemical Corp., Yazoo City, Miss.
Dec. 24 filed 200,000 shares of common stock (par $5) and 8,000 shares of special common stock (par $75). **Price**—For common stock, $8.75 per share; for special

common stock, $131.25 per share. **Proceeds**—For construction program, to purchase shares of Coastal Chemical Corp. (a subsidiary), and the balance will be added to surplus. **Underwriter**—None.

Montana Power Co.
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions.

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par) The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Manager-Dealers** — Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc. **Offering**—Indefinitely postponed.

● **National Theatres, Inc.**
Dec. 30 filed $20,000,000 5½% sinking fund subordinated debentures due March 1, 1974, stock purchase warrants for 454,545 shares of common stock (par $1) and 485,550 warrants to purchase debentures and stock purchase warrants. The debentures and stock purchase warrants are being offered in exchange for National Telefilm Associates, Inc. common stock and outstanding stock purchase warrants. **Basis of Exchange**—Shareholders of National Telefilm will receive $11 principal amount of debentures and a purchase warrant for one-quarter share of National Theatres stock in exchange for each share of National Telefilm. For each outstanding warrant of National Telefilm, the holder will receive an exchange warrant for the purchase of $11 of debentures and a warrant for the purchase of one-quarter share of National Theatres common. The offer expires March 16, 1959. **Dealer-Managers**—Cruttenden, Podesta & Co., Cantor, Fitzgerald & Co., Inc., and Westheimer & Co.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

New Jersey Investing Fund, Inc., New York
Dec. 9 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Investment Adviser and Distributor**—Spear, Leeds & Kellogg, New York.

Northern Indiana Public Service Co. (3/10)
Feb. 10 filed $25,000,000 of first mortgage bonds, series J, due Jan. 15, 1989. **Proceeds** — To be used for gross additions to utility properties of the company including prepayment of bank loans incurred for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp.; White, Weld & Co.; Dean Witter & Co.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Harriman Ripley & Co., Inc. **Bids** — Expected to be received on March 10.

Oak Ridge, Inc.
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—11 Flamingo Plaza, Hialeah, Fla. **Underwriter** — Henry & Associates, Inc., 11 Flamingo Plaza, Hialeah, Fla.

O. K. Rubber Welders, Inc.
Dec. 15 filed 60,600 shares of common stock, $43,333.33 of 3¼% debentures maturing on or before May 6, 1965, $692,000 of 6% debentures maturing on or before Dec 31, 1974 and $123,000 of 7% debentures due on or before May 6, 1965. The company proposes to make a public offering of 25,000 shares of common stock at $10 per share. The remaining shares and the debentures are subject to an exchange offer between this corporation O. K. Rubber, Inc., and O. K. Ko-op Rubber Welding System, on an alternative basis. **Proceeds**—Of the public offering, will be used for additional working capital and/or to service part of the company's debt. **Office**—551 Rio Grande Ave., Littleton, Colo. **Underwriter**—None.

● **Odlin Industries, Inc.**
Nov. 12 filed $250,000 of 5½% convertible debentures and 250,000 shares of common stock (par 10 cents). **Price**—Debentures at 100% and stock at $3 per share. **Proceeds**—To purchase a textile mill, machinery, equipment and raw materials, and to provide working capital. **Office**—375 Park Ave., New York, N. Y. **Underwriter**—Harris Securities Corp., New York, N. Y., has withdrawn as underwriter. Statement subsequently withdrawn.

Oil, Gas & Minerals, Inc.
Nov. 16 (letter of notification) 116,000 shares of common stock (par 35 cents). **Price**—$1 per share. **Proceeds**—For development of oil and gas properties. **Office**—517 International Trade Mart, New Orleans 12, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, La.

Oppenheimer Fund, Inc.
Dec. 5 filed 100,000 shares of capital stock. **Price**—At market (about $10 per share). **Proceeds**—For investment. **Office**—25 Broad St., New York. **Underwriter**—Oppenheimer & Co., New York.

Pacific Power & Light Co. (3/3)
Jan. 27 filed 207,852 shares of common stock, which the company proposes to offer to common stockholders of record March 3, 1959 at the rate of one new share for each 20 shares held; rights to expire on March 25. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Lehman Brothers, Eastman Dillon, Union Securities & Co., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Ladenburg, Thalmann & Co.; Kidder, Peabody & Co. **Bids**—Expected to be received up to 8 a.m. (PST) on March 3.

Paramount Mutual Fund, Inc.
Jan. 2 filed 300,000 shares of capital stock. **Price**—Minimum purchase of shares is $2,500. **Proceeds**—For investment. **Office**—404 North Roxbury Drive, Beverly Hills, Calif. **Underwriter**—Paramount Mutual Fund Management. Co.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988 **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co., Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

● **Piedmont Natural Gas Co., Inc. (2/27)**
Feb. 4 filed 56,301 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held about Feb. 27, 1959 (with an oversubscription privilege); rights to expire on or about March 16. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—White, Weld & Co., New York.

Pilgrim Helicopter Services, Inc.
Jan. 9 (letter of notification) 12,000 shares of common stock (par $3). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—Investment Bldg., Washington 5, D. C. **Underwriter**—Sade & Co., Washington 5, D. C.

★ **Pioneer Hydrotex Industries, Inc. (3/6)**
Feb. 5 (letter of notification) $300,000 of 6% subordinated sinking fund convertible debentures (fully registered), due March 1, 1969. **Price** — At par. **Proceeds** — For acquisitions, etc. **Office**—267 Meadows Bldg., Dallas 6, Texas. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill. and Schneider, Bernet & Hickman, Dallas, Texas.

Prairie Fibreboard Ltd.
Aug. 18 filed 209,993 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $3 per share. **Proceeds** — For construction purpose. **Office** —Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

Prudential Enterprises, Inc.
Jan. 15 (letter of notification) 200,000 shares of common stock (par one cent) of which 170,000 shares are to be sold by the company and 30,000 shares by a selling stockholder. **Price** — $1.50 per share. **Proceeds** — For general expansion and working capital. **Office**—1108 16th Street, N.W., Washington 6, D. C. **Underwriter**—John C. Kahn Co., Washington, D. C.

Raindor Gold Mines, Ltd.
Jan. 28 (letter of notification) 290,000 shares of common stock (par $1). **Price**—$1 per share. **Proceeds**—To prove up ore and for road and camp construction. **Office**—At Suite 322, 200 Bay St., Toronto, Ont., Canada, and c/o T. Arnold, Wilson Circle, Rumson, N. J. **Underwriter**—Sano & Co., New York, N. Y.

Rassco Financial Corp.
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

Richmond Cedar Works Manufacturing Corp.
Jan. 14 (letter of notification) $171,500 of six-year 5.6% convertible subordinated debentures to be offered to common stockholders of record Jan. 27, 1959 on the basis of $100 of debentures for each 100 common shares or fractional part thereof held; warrants expire Feb. 16, 1959. **Price**—At par. **Proceeds**—To purchase materials and supplies, equipment, etc. **Address**—P. O. Box 2407, Richmond 13, Va. **Underwriter**—None.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1) Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

★ **Ridge Citrus Concentrate, Inc., Davenport, Polk County, Fla.**
Feb. 12 (letter of notification) 238 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$150 per share. **Proceeds**—For working capital. **Underwriter**—None.

Rochester Gas & Electric Corp.
Jan. 16 filed 280,000 shares of common stock (no par) being offered for subscription by stockholders of record Feb. 5, 1959, at the rate of one new share for each nine shares, or portion thereof, then held; rights to expire on Feb. 24. Unsubscribed shares are offered to employees. **Price**—$37.50 per share. **Proceeds**—To be used in connection with the company's construction program, including the discharge of short-term obligations, the proceeds of which were so used. **Underwriter** — The First Boston Corp., New York.

★ **Rocky Mountain Quarter Racing Association, Inc.**
Feb. 12 (letter of notification) 80,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—Race track and for operating capital. **Office**—822 Majestic Bldg., Denver, Colo. **Underwriter**—None.

★ **Rosecroft Music Circus, Inc.**
Feb. 10 (letter of notification) 500 shares of common stock (par $100) and $100,000 of 5% debentures due Jan. 1, 1969 to be offered in units consisting of two shares of common stock and $400 principal amount of debenture at $500 per unit. **Price**—Of stock, $50 per share; of debenture, at par. **Proceeds**—For working capital. **Office**—6732 Holabird Ave., Dundalk, Baltimore 22, Md. **Underwriter**—None.

Routh Robbins Investment Corp.
Jan. 29 filed 475,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For investments and working capital. **Business** — Real estate investments. **Office** — Alexandria, Va. **Underwriter**—None.

St. Paul Ammonia Products, Inc.
Dec. 29 filed 250,000 shares of common stock (par 2½ cents), to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—$2.50 per share. **Proceeds**—For additional working capital. **Office**—South St. Paul, Minn. **Underwriter**—None.

★ **San Juan Mining & Developing Co.**
Feb. 9 (letter of notification) 1,000,000 shares of common stock (par $5). **Price**—30 cents per share. **Proceeds**—For mining expenses. **Office**—Seventeenth St., Denver 2, Colo. **Underwriter**—None.

Sawhill Tubular Products, Inc. (2/25)
Jan. 30 filed 225,000 outstanding shares of common stock (no par value). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—27 Council Ave., Wheatland, Pa. **Underwriters**—McDonald & Co., Cleveland, Ohio; and Kidder, Peabody & Co., New York.

Selected Risks Insurance Co.
Jan. 23 (letter of notification) 8,500 shares of common capital stock (par $10) to be issued to stockholders upon exercise of warrants on the basis of one share for each 13 2/17th shares held (after giving effect to a stock dividend of 11½%). The warrants expire on March 16, 1959. **Price**—$35 per share. **Proceeds**—For working capital. **Office**—Branchville, N. J. **Underwriter**—None.

Service Life Insurance Co.
Sept. 26 (letter of notification) 3,567 shares of common stock (par $1). **Price**—$18.75 per share. **Proceeds**—To go to a selling stockholder. **Office**—400 W. Vickery Blvd., Fort Worth, Tex. **Underwriter**—Kay & Co., Inc., Houston, Tex.

Shares in American Industry, Inc.
Dec. 12 filed 50,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office** — 1033-30th St., N. W., Washington 7, D. C. **Investment Advisor**—Investment Fund Management Corp. **Former Name**—Shares in America, Inc.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None.

Sire Plan of Elmsford, Inc., New York
Nov. 10 filed $250,000 of 6% 10-year debentures and 5,000 shares of 6% participating preferred stock (par $50) to be offered in units of a $50 debenture and one share of preferred stock. **Price**—$100 per unit. **Proceeds**—For acquisition of motels. **Underwriter**—Sire Plan Portfolios, Inc., New York.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and util-

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ities; and $395,000 for working capital. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office**—33 Great Neck Rd., Great Neck, N. Y. **Underwriter**—None.

● **Standard Security Life Insurance of New York (3/3)**
Feb. 9 filed 200,000 shares of common stock (par $2). **Price**—$7.50 per share. **Proceeds** — To increase capital and surplus. **Office**—221 West 57th St., New York, N. Y. **Underwriters**—Ira Haupt & Co. and Savard & Hart, both of New York.

Standard Sign & Signal Co. (3/16)
Dec. 17 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To promote and expand the development of the Safety School Shelter business. **Office**—c/o Brown Kendrick, 6130 Preston Haven Drive, Dallas, Texas. **Underwriter**—Sano & Co., New York, N. Y.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

★ **Statistical-Tab Accounting Bureau, Inc.**
Feb. 10 (letter of notification) 10,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—873 Spring St., N. W., Atlanta 1, Ga. **Underwriter**—None.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

● **Talcott (James), Inc. (2/25)**
Feb. 4 filed 150,000 shares of common stock (par $9). **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriters**—F. Eberstadt & Co. and White, Weld & Co., both of New York.

Texas Instruments, Inc., Dallas, Texas
Feb. 11 filed 691,851 shares of common stock (par $1) and 737,974 shares of 4% cumulative preferred stock, series 1959 (25 par—convertible on or prior to May 1, 1969), to be offered in exchange for common stock of Metals & Controls Corp.

Thomas & Betts Co. (2/25)
Feb. 5 filed 300,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Business** — Manufactures a broad line of electrical raceway accessories and conductor connectors of basic use in virtually all phases of the electrical industry. **Underwriter**—Smith, Barney & Co., New York.

TV Junior Publications Inc. (2/27)
Jan. 26 filed 150,000 shares of common stock and warrants for the purchase of an additional 150,000 shares of common stock, to be offered in units of one share of stock and one warrant. Of this offering, 120,000 units will be offered for the account of the company and 30,000 units will be sold for the account of selling stockholders. **Price**—$2.50 per unit. **Proceeds**—To repay loans by company officials and past-due payables owing chiefly to Promotion Press; and the balance for working capital and expansion of circulation. **Office**—225 Varick St., New York. **Underwriter**—Charles Plohn & Co., New York.

Union Bag-Camp Paper Corp.
Jan. 8 filed 23,282 shares of capital stock (par $6.66⅔) being offered in exchange for shares of capital stock of Highland Container Co. in ratio of 0.58 share of Union Bag for one share of Highland. The offer will expire at 3:30 p.m. (EST) on March 2, unless it is accepted prior to its expiration of stockholders holding more than 25,000 of the outstanding shares, the exchange offer will be cancelled. If the exchange offer is so accepted by the holders of more than 25,000, but less than 36,000 such shares, the exchange offer may be cancelled at the option of Union Bag by written or telegraphic notice to the exchange agent given on or before March 4.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Security Life & Accident Insurance Co.
Aug. 22 filed 120,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None. Edmond M. Smith, is President.

United States Glass & Chemical Corp.
Nov. 26 filed 708,750 outstanding shares of common stock. **Price**—At market. **Proceeds** — To selling stockholders. **Office**—Tiffin, Ohio. **Underwriter**—None.

● **U. S. Land Development Corp. (2/19)**
Jan. 16 filed 1,055,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — To be added to the company's general funds and used to develop Pineda Island and other properties that may be acquired. **Underwriters**—Aetna Securities Corp., New York, and Roman & Johnson, Ft. Lauderdale, Fla., on a best efforts basis.

● **United States Pool Corp. (2/20)**
Jan. 16 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—27 Haynes Ave., Newark, N. J. **Underwriter**—Ross, Lyon & Co., Inc., New York.

United Tourist Enterprises, Inc.
Jan. 28 filed 4,500,000 shares of class A common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For development and construction of a "Western Village" and for construction of a Grand Estes Hotel and Convention Hall, to be constructed in the immediate vicinity of Estes Park Chalet, located in Larimer County, Colo. **Office** — 330 South 39th Street, Boulder, Colo. **Underwriter**—Mid-West Securities Corp., Littleton, Colo.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

★ **Valley Life & Casualty Insurance Co.**
Feb. 6 (letter of notification) 150,000 shares of common stock (par $1) to be offered to the general public and to benefit insurance policy holders of the company. **Price**—$2 per share. **Proceeds**—For capital and surplus accounts. **Office** — 1144 E. Washington St., Phoenix, Ariz. **Underwriter**—None.

Venture Options, Inc.
Jan. 27 (letter of notification) 60,000 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—To be deposited with member firms of the New York Stock Exchange to guarantee Puts and Calls written by the company and to cover expenses. **Office**—730 Fifth Ave., New York 19, N. Y. **Underwriter**—Barsh & Co., 663 Main Ave., Passaic, N. J.

★ **Walnut Grove Products Co., Inc.**
Feb. 9 filed $500,000 of 6% sinking fund debentures, series B, due 1969. **Price**—100% of principal amount. **Proceeds**—For capital improvements. **Office**—Atlantic, Iowa. **Underwriter**—The First Trust Co. of Lincoln, Neb.

★ **Western Casualty & Surety Co. (3/5)**
Feb. 11 filed 100,000 shares of capital stock (par $5) to be offered for subscription by holders of outstanding stock at the rate of one new share for each five shares held on March 5, 1959; rights to expire on March 19. **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriters** — Kidder, Peabody & Co., New York; and Prescott, Wright, Snider Co., Kansas City, Mo.

● **Western Gas Service Co. (2/17-18)**
Jan. 29 filed 104,500 shares of common stock of which it is proposed to offer 4,500 shares for subscription by certain employees. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, will be used to pay a short-term bank loan of $5,700,000. **Office**—9065 Alameda Avenue, El Paso, Texas. **Underwriter**—Underwood, Neuhaus & Co., Inc., Houston, Texas.

★ **White Stores, Inc., Wichita Falls, Texas**
Feb. 18 filed $5,000,000 convertible subordinated debentures, due March 1, 1979. **Price** — To be supplied by amendment. **Proceeds**—General corporate purposes. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, Inc.

William Hilton Inn Co.
Jan. 19 filed together with The William Hilton Trust, $600,000 of trust participation certificates, 9,000 shares of class A common stock (non voting), and 600 shares of class B common stock (voting); to be offered in 600 units, each consisting of 10 certificates ($100 face amount), 15 class A shares and 1 class B share. **Price**—$1,160 per unit. **Proceeds**—Together with bank borrowings, will be used to purchase from the Sea Pines Plantation Co. a tract of approximately three acres of ocean front property on Hilton Head Island, to construct the Inn, purchase all furniture, fixtures and equipment necessary to operate the Inn and to provide necessary working capital (and to reimburse Sea Pines Plantation for some $20,000 of costs advanced by it. **Underwriter**—The Johnson, Lane, Space Corp., Savannah, Ga.

Wilmington Country Club, Wilmington, Del.
Oct. 27 filed $500,000 of debentures due 1991 (non interest bearing) and 800 shares of common stock (par $25) to be offered to members of this club and of Concord Ltd. **Price**—$375 per common share and $1,000 per debenture. **Proceeds** — To develop property and build certain facilities. **Underwriter**—None.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

Prospective Offerings

Alabama Power Co. (4/30)
Dec. 10 it was announced that the company plans the issue and sale of $20,000,000 of 30-year first mortgage bonds. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co., Equitable Securities Corp. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Registration**—Planned for April 3. **Bids**—Expected to be received on April 30.

All American Markets, Downey, Calif.
Jan. 30 it was reported that the company plans a common stock offering. **Business**—Chain of grocery stores. **Underwriter**—J. Barth & Co., San Francisco, Calif. **Offering**—Expected sometime in April.

★ **Bank of Southwest N. A., Houston, Texas**
Feb. 9 it was announced Bank is offering to its stockholders of record Jan. 20, 1959, a total of 62,500 additional shares of capital stock (par $20) on the basis of one new share for each 10 shares held; rights to expire on March 17, 1959. **Price**—$40 per share. **Proceeds**—To increase capital and surplus.

California Electric Power Co. (3/31)
Jan. 21 it was announced that the company plans the issue and sale of 300,000 shares of common stock. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.; The First Boston Corp., Carl M. Loeb, Rhoades & Co. and Bear Stearns & Co. (jointly); White, Weld & Co.; and Kidder, Peabody & Co. **Bids**—To be received up to 9 a.m. (PST) on March 31.

Central Bank & Trust Co., Great Neck, L. I., N. Y.
Jan. 13 stockholders approved the sale of an additional 38,503 shares of capital stock to stockholders of record Feb. 20, 1959, on the basis of one new share for each five shares then held. **Price**—$20 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Central Power & Light Co.
Jan. 26 it was reported that the company plans to sell $11,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers and Glore Forgan & Co. (jointly); Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co., Inc., and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received some time in April.

Chicago, Rock Island & Pacific RR. (2/24)
Bids will be received by the company at 139 West Van Buren St., Chicago 5, Ill., up to noon (CST) on Feb. 24 for the purchase from it of $5,130,000 equipment trust certificates maturing semi-annually from Aug. 15, 1959 to Feb. 15, 1974, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Columbia Gas System, Inc.
Dec. 1 it was reported that the company may issue and sell additional common stock in the first half of 1959. **Proceeds**—To repay outstanding bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, White, Weld & Co., Shields & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co.

De Jur-Amsco Corp., New York City
Jan. 27 it was reported that the company is planning the sale of convertible debentures and common stock, but details have not yet been worked out. **Business**—Manufacturer and distributor of light meters, cameras, etc. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

El Paso Electric Co.
Feb. 9 it was reported that the company is planning the sale of $3,500,000 of first mortgage bonds due 1989. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Merrill Lynch, Pierce, Fenner & Smith, Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co.; White, Weld & Co. and Shields & Co. (jointly) Equitable Securities Corp. and R. W. Pressprich & Co. (jointly). **Bids**—Expected to be received some time in May.

El Paso Electric Co.
Feb. 9 it was reported that the company plans the sale of 20,000 shares of preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Eastman Dillon, Union Securities & Co.; Salomon Bros. & Hutzler & Co.; Kidder, Peabody & Co., and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith. **Bids**—Expected to be received some time in May.

El Paso Electric Co.
Feb. 9 it was reported that the company is also planning an offering of common stock to common stockholders on the basis of about one new share for each 25 shares held. **Proceeds**—For construction program. **Dealer-Manager**—Stone & Webster Securities Corp., New York.

Florida Power Corp.
Feb. 4, W. J. Clapp, President, announced that the corporation is planning to sell additional shares of common stock on the basis of one new share for each 12 shares held. **Proceeds**—For construction expenditures. **Underwriters** — Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith Inc. **Offering**—Expected in June.

FXR, Inc., Woodside, N. Y.
Feb. 2 it was announced that company (formerly F & R Machine Works) is considering some additional financing, but types of securities to be offered have not as yet been determined.

Georgia Power Co. (9/10)
Dec. 10 it was announced that the company plans to issue and sell $18,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Lehman Brothers; The First Boston Corp.; Morgan Stanley & Co.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Registration**—Planned for Aug. 14. **Bids**—Expected to be received on Sept. 10.

Great Atlantic & Pacific Tea Co., Inc.
Dec. 15 the new common voting stock outstanding following 10-for-1 split was listed on the New York Stock Exchange. A large secondary offering has been rumored. **Underwriters** — May include: Blyth & Co., Inc.; Lehman Brothers and Smith, Barney & Co.

Gulf Power Co. (4/2)
Dec. 10 it was announced that the company plans to issue and sell $7,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co.; Equitable Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blyth & Co., Inc. **Registration**—Planned for March 6. **Bids**—Expected to be received on April 2.

• Jersey Central Power & Light Co.
Feb. 10 it was announced that the company is contemplating the sale of $8,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Lehman Brothers and Blair & Co., Inc., (jointly). **Offering**—Expected during the summer.

Jubilee Records
Feb. 2 it was announced that the company plans the issuance and sale of $1,500,000 of convertible preferred stock. **Proceeds**—For expansion. **Office**—1721 Broadway, New York, N. Y. **Underwriter**—Not yet named.

Kansas City Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Offering**—Expected in May or June.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year of 1958. The proposed sale was subsequently deferred until early 1959. **Proceeds** — About $3,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Louisiana Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $7,500,000 of preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Blyth & Co., Inc. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. and Harriman Ripley & Co., Inc. (jointly); Salomon Bros. & Hutzler, Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received sometime in April.

• Miami Window Corp. (3/2-6)
Dec. 15 it was reported that the company plans issuance and sale of $3,500,000 6½% debentures due 1974 (with attachable warrants—each $1,000 debenture to carry a warrant to buy 200 shares of common stock at $3 per share) and 150,000 shares of 70-cent convertible preferred stock (par $8). **Price**—Of debentures, at par; and of preferred, $10 per share. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill. and Clayton Securities Corp., Boston, Mass.

Mississippi Power Co. (6/25)
Dec. 10 it was announced that this company plans to issue and sell $5,000,000 of 30-year first mortgage bonds **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Registration**—Planned for May 29. **Bids**—Expected to be received on June 25.

Monongahela Power Co. (3/31)
Dec. 29 it was reported that the company plans the sale of about $16,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.; W. C. Langley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on March 31.

National State Bank, Newark, N. J.
Jan. 27 stockholders were offered 80,000 shares of common stock on the basis of one new share for each six shares then held as of Jan. 23; rights to expire on Feb. 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Clark, Dodge & Co., New York.

North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. **Price** — $10 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—John M. Tait & Associates, Cincinnati, Ohio

Northern Illinois Gas Co.
Dec. 12 it was reported that the company will sell in 1959 about $35,000,000 of new securities, including some first mortgage bonds; in addition, there is a possibility of a preferred stock issue. **Proceeds**—For capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Northern States Power Co. (Minn.)
Dec. 3, Allen S. King, President, announced that the company plans about the middle of 1959 to put out a common stock issue and possibly a $15,000,000 preferred stock issue if there is a satisfactory market. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding Probable bidders (1) For preferred stock: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Harriman Ripley & Co., Inc. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. (2) For common stock: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Blyth & Co., Inc. and Kuhn, Loeb & Co. (jointly); White, Weld & Co. and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith.

Ohio Power Co. (3/30)
Feb. 9 it was reported that the company plans the issuance and sale of $25,000,000 first mortgage bonds due 1989. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc., and Stone & Webster Securities Corp. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on March 30.

Our River Electric Co., Luxemburg
Dec. 22 it was reported that this company plans to offer $10,000,000 of bonds. **Underwriters**—The First Boston Corp. and Kuhn, Loeb & Co., both of New York.

Penn-Texas Corp.
Jan. 28, Alfons Landa, President, said the company may offer its stockholders $7,000,000 additional capital stock through subscription rights. **Purpose**—To acquire Fairbanks, Morse & Co. common stock. **Underwriter**—Bear, Stearns & Co., New York.

• Pennsylvania Electric Co.
Feb. 10 it was announced that the company is planning the sale of $15,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., Merrill Lnych, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Offering**—Expected about mid-year.

Public Service Electric & Gas Co. (6/2)
Jan. 30 it was reported that the company plans sale of $30,000,000 to $40,000,000 debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Tentatively expected to be received on June 2.

Puget Sound Power & Light Co.
Feb. 6 it was announced company plans to issue and sell $10,000,000 preferred stock this Spring. **Proceeds**—For construction program. **Underwriter** — May be Merrill Lynch, Pierce, Fenner & Smith, Inc., New York.

Ritter Finance Co.
Feb. 9 it was reported that the company plans early registration of an undetermined amount of stock, probably to take the form of a convertible preferred stock issue. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa. **Registration**—Planned for this month. **Offering**—Expected some time in March.

• Ryder System, Inc. (3/2)
Jan. 12 it was reported that the company plans the issuance and sale of 150,000 shares of common stock (par $5). **Proceeds**—For acquisitions. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected any day.

Southern Electric Generating Co. (5/28)
Dec. 10 it was announced that the company plans to issue and sell $25,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Registration**—Planned for May 1. **Bids**—Expected to be received on May 28.

Southwestern Electric Power Co.
Jan. 26 it was reported that this company (formerly Southwestern Gas & Electric Co.) plans the issuance and sale of about $16,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and Eastman Dillon, Union Securities & Co. (jointly); Equitable Securities Corp.; Lehman Brothers; Kuhn, Loeb & Co.; Blyth & Co. Inc. **Bids**—Expected to be received in April or May.

Texas Eastern Transmission Corp.
Dec. 11 it was announced by W. Hargrove, Vice-President, that the corporation plans to raise about $90,000,000 through the sale of new securities (tentative plans call for the sale of bonds, debentures and preferred stock). **Proceeds**—To refund $30,000,000 of outstanding bank loans, and the balance will be used for capital expenditures. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas Gas Transmission Co.
Jan. 13 it was reported that the company has filed an application with the Federal Power Commission covering $40,000,000 of additional financing. It is believed that $10,000,000 of this new capital will be raised via a common stock offering and the rest will consist of first mortgage bonds. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—Not expected for some time.

★ United States National Bank, Portland, Ore.
Feb. 16 it was reported that in connection with the proposed merger between this Bank and the First National Bank of Baker, Ore, that the Bank plans to issue an additional 23,000 shares of common stock on the basis of one new share for each 49 shares held. **Price**—$50 per share. **Proceeds**—To increase capital and surplus.

Uptown National Bank of Chicago
Jan. 15 the Bank offered to its stockholders of record Jan. 15, 1959 the right to subscribe for 10,000 additional shares of capital stock (par $25) at the rate of one new share for each five shares held; rights to expire on March 5. **Price**—$35 per share. **Proceeds**—To increase capital and surplus.

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Virginia Electric & Power Co. (6/2)
Jan. 5 it was reported that the company plans the sale of from $20,000,000 to $25,000,000 of additional common stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith; Stone & Webster Securities Corp. **Bids**—Expected to be received on June 2.

West Penn Power Co. (5/26)
Dec. 29 it was reported the company contemplates the issue and sale of about $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on May 26.

Wisconsin Power & Light Co. (4/15)
Jan. 12 it was reported that the company contemplates the sale of $14,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Bids**—Expected to be received on April 15. **Registration**—Planned for March 9.

Worcester Gas Light Co.
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Feb. 22	§86,1	*83.7	72.6	50.9
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 22	§2,439,000	*2,371,000	2,056,000	1,373,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 6	7,213,320	7,107,135	7,051,835	6,858,285
Crude runs to stills—daily average (bbls.)	Feb. 6	¶8,025,000	*8,140,000	8,245,000	7,325,000
Gasoline output (bbls.)	Feb. 6	26,913,000	27,514,000	28,689,000	26,047,000
Kerosene output (bbls.)	Feb. 6	2,903,000	2,957,000	3,102,000	2,587,000
Distillate fuel oil output (bbls.)	Feb. 6	15,009,000	14,972,000	14,532,000	12,045,000
Residual fuel oil output (bbls.)	Feb. 6	6,761,000	7,600,000	7,549,000	7,431,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 6	199,070,000	197,511,000	190,024,000	208,043,000
Kerosene (bbls.) at	Feb. 6	20,649,000	20,910,000	25,363,000	21,580,000
Distillate fuel oil (bbls.) at	Feb. 6	92,018,000	96,745,000	119,107,000	117,552,000
Residual fuel oil (bbls.) at	Feb. 6	55,824,000	57,867,000	59,991,000	57,627,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 7	565,397	582,636	550,090	532,396
Revenue freight received from connections (no. of cars)	Feb. 7	551,334	553,692	476,381	525,443
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 12	$346,236,000	$284,240,000	$301,583,000	$208,683,000
Private construction	Feb. 12	207,543,000	154,541,000	125,058,000	97,918,000
Public construction	Feb. 12	138,693,000	129,699,000	176,525,000	110,765,000
State and municipal	Feb. 12	96,095,000	107,877,000	128,415,000	83,929,000
Federal	Feb. 12	42,598,000	21,822,000	48,110,000	26,836,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 7	8,300,000	*8,585,000	8,195,000	7,460,000
Pennsylvania anthracite (tons)	Feb. 7	376,000	521,000	546,000	413,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 7	108	106	121	99
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 14	13,156,000	13,324,000	13,554,000	12,417,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 12	292	271	294	319
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 10	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Feb. 10	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Feb. 10	$43.83	$43.83	$40.50	$37.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 11	29.600c	29.600c	28.600c	24.500c
Export refinery at	Feb. 11	28.225c	28.850c	27.225c	20.450c
Lead (New York) at	Feb. 11	11.500c	12.000c	13.000c	13.000c
Lead (St. Louis) at	Feb. 11	11.300c	11.800c	12.800c	12.800c
‡Zinc (delivered) at	Feb. 11	12.000c	12.000c	12.000c	10.500c
Zinc (East St. Louis) at	Feb. 11	11.500c	11.500c	11.500c	10.000c
Aluminum (primary pig. 99.5%) at	Feb. 11	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Feb. 11	102.000c	101.500c	99.000c	92.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 17	86.31	86.12	85.61	94.55
Average corporate	Feb. 17	89.92	89.78	90.06	96.07
Aaa	Feb. 17	93.97	93.97	94.41	102.80
Aa	Feb. 17	92.64	92.20	92.79	99.84
A	Feb. 17	89.78	89.78	89.92	96.23
Baa	Feb. 17	83.66	83.53	83.91	86.65
Railroad Group	Feb. 17	88.95	88.40	88.81	92.06
Public Utilities Group	Feb. 17	89.37	89.23	89.64	98.09
Industrials Group	Feb. 17	91.34	91.62	91.91	98.41
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 17	3.79	3.82	3.87	2.96
Average corporate	Feb. 17	4.42	4.43	4.41	4.00
Aaa	Feb. 17	4.14	4.14	4.11	3.58
Aa	Feb. 17	4.23	4.26	4.22	3.76
A	Feb. 17	4.43	4.43	4.42	3.99
Baa	Feb. 17	4.89	4.90	4.87	4.66
Railroad Group	Feb. 17	4.49	4.53	4.50	4.27
Public Utilities Group	Feb. 17	4.46	4.47	4.44	3.87
Industrials Group	Feb. 17	4.32	4.30	4.28	3.85
MOODY'S COMMODITY INDEX	Feb. 17	382.4	385.4	384.5	398.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 7	345,179	293,331	††316,150	309,914
Production (tons)	Feb. 7	298,371	293,826	††303,880	251,516
Percentage of activity	Feb. 7	93	92	††78	83
Unfilled orders (tons) at end of period	Feb. 7	431,708	375,635	††416,078	395,797
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 13	111.10	110.10	110.57	108.67
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 24	2,749,880	3,030,260	1,431,270	1,478,680
Short sales	Jan. 24	442,720	565,090	226,040	311,060
Other sales	Jan. 24	2,235,550	2,563,620	1,145,050	1,096,820
Total sales	Jan. 24	2,678,270	3,128,710	1,371,090	1,407,880
Other transactions initiated on the floor—					
Total purchases	Jan. 24	545,690	491,330	208,370	395,200
Short sales	Jan. 24	42,200	56,700	14,000	48,800
Other sales	Jan. 24	468,340	526,890	211,240	282,650
Total sales	Jan. 24	510,540	583,590	225,240	331,450
Other transactions initiated off the floor—					
Total purchases	Jan. 24	846,223	993,710	413,200	600,435
Short sales	Jan. 24	175,020	184,650	81,600	175,250
Other sales	Jan. 24	1,035,970	1,032,569	361,660	605,928
Total sales	Jan. 24	1,150,990	1,217,219	443,260	781,178
Total round-lot transactions for account of members—					
Total purchases	Jan. 24	4,141,793	4,515,300	2,052,840	2,474,315
Short sales	Jan. 24	599,940	806,440	321,640	535,110
Other sales	Jan. 24	3,739,860	4,123,079	1,717,950	1,985,398
Total sales	Jan. 24	4,339,800	4,929,519	2,039,590	2,520,508
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Jan. 24	2,233,610	2,471,409	884,168	1,209,909
Dollar value	Jan. 24	$110,987,325	$124,660,797	$47,440,763	$50,423,753
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 24	1,877,342	2,046,854	866,043	917,854
Customers' short sales	Jan. 24	5,816	6,905	4,279	21,818
Customers' other sales	Jan. 24	1,871,526	2,039,949	861,764	896,036
Dollar value	Jan. 24	$92,799,000	$102,410,496	$44,494,109	$40,658,571
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 24	469,310	492,000	285,840	249,570
Short sales	Jan. 24	------	------	------	------
Other sales	Jan. 24	469,310	492,000	285,840	249,570
Round-lot purchases by dealers—					
Number of shares	Jan. 24	827,560	914,450	287,725	542,870
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Jan. 24	704,390	895,990	380,430	956,310
Other sales	Jan. 24	19,592,360	21,512,010	8,939,200	11,296,480
Total sales	Jan. 24	20,296,750	22,408,000	9,319,630	12,252,790
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 10	119.4	*119.3	119.4	118.8
Farm products	Feb. 10	91.1	*90.8	91.5	95.4
Processed foods	Feb. 10	107.9	*108.3	109.0	108.9
Meats	Feb. 10	101.0	102.3	103.2	100.6
All commodities other than farm and foods	Feb. 10	127.6	*127.5	127.3	125.8

*Revised figure. ¶Includes 907,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound. ††Ten days ended Jan. 10, 1959.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Dec. 31:			
Imports	$254,362,000	$250,822,000	$278,410,000
Exports	349,303,000	347,699,000	455,531,000
Domestic shipments	15,057,000	15,861,000	10,304,000
Domestic warehouse credits	229,289,000	249,314,000	285,772,000
Dollar exchange	82,920,000	94,250,000	45,674,000
Based on goods stored and shipped between foreign countries	262,667,000	250,882,000	236,688,000
Total	1,193,598,000	1,208,828,000	1,307,379,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Nov. (Millions of dollars):			
Manufacturing	$49,300	$49,300	$53,900
Wholesale	12,100	12,100	12,800
Retail	23,600	23,500	24,300
Total	$85,000	*$84,900	$91,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of January (000's omitted):			
Total U. S. construction	$1,641,101	$1,459,159	$1,258,813
Private construction	685,529	612,806	521,201
Public construction	955,572	846,353	737,612
State and municipal	654,957	720,340	611,278
Federal	300,615	126,013	126,334
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Dec. 31 (000's omitted)	$840,000	$940,000	$551,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Dec. 31:			
Total consumer credit	$45,068	$43,464	$44,774
Instalment credit	33,865	33,126	34,095
Automobile	14,131	14,066	15,409
Other consumer goods	9,007	8,528	8,692
Repairs and modernization loans	2,145	2,146	2,091
Personal loans	8,582	8,386	7,903
Noninstalment credit	11,200	10,338	10,679
Single payment loans	3,543	3,499	3,365
Charge accounts	5,018	4,297	4,829
Service credit	2,639	2,542	2,485
COPPER INSTITUTE—For month of December:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	105,340	*103,144	102,525
Refined (tons of 2,000 pounds)	146,978	128,048	136,135
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	116,310	*131,188	80,641
Refined copper stocks at end of period (tons of 2,000 pounds)	80,722	93,596	181,024
COTTON SPINNING (DEPT. OF COMMERCE:			
Spinning spindles in place on Jan. 2	20,681,000	20,726,000	21,075,000
Spinning spindles active on Jan. 2	17,616,000	17,611,000	18,144,000
Active spindle hours (000's omitted) Jan. 2	9,453,000	8,389,000	7,309,000
Active spindle hours for spindles in place Dec.	378.1	419.4	365.4
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average = 100—Month of December:			
Sales (average monthly), unadjusted	240	151	222
Sales (average daily), unadjusted	235	160	*227
Sales (average daily), seasonally adjusted	133	125	128
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of December:			
All manufacturing (production workers)	11,908,000	*11,960,000	12,449,000
Durable goods	6,728,000	*6,721,000	7,153,000
Nondurable goods	5,180,000	*5,239,000	5,296,000
Employment indexes (1947-49 Avge.=100)—			
All manufacturing	96.3	*96.7	100.6
Payroll indexes (1947-49 Average=100)—			
All manufacturing	160.1	*158.1	157.3
Estimated number of employees in manufacturing industries—			
All manufacturing	15,715,000	*15,765,000	16,302,000
Durable goods	8,969,000	*8,958,000	9,429,000
Nondurable goods	6,746,000	*6,807,000	6,873,000
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES Month of November (millions of dollars):			
Inventories—			
Durables	$27,906	*$27,932	$31,511
Nondurables	21,433	*21,405	22,360
Total	$49,339	*$49,337	$53,871
Sales	27,627	*27,158	27,221
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of December in billions:			
Total personal income	$359.3	*$360.4	$348.4
Wage and salary receipts, total	242.9	*242.0	237.3
Commodity producing industries	100.7	*100.3	98.8
Distributing industries	64.2	*63.9	*63.7
Service industries	34.3	*34.2	33.2
Government	43.8	*43.7	40.6
Other labor income	9.3	9.3	9.2
Proprietors and rental income	57.6	*57.5	55.2
Personal interest income and dividends	30.2	31.9	30.0
Total transfer payments	26.1	*26.6	23.3
Less employees' contribution for special insurance	6.8	6.8	6.6
Total nonagricultural income	342.5	*343.6	333.0
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of Dec. 15:			
All farm products	246	251	243
Crops	220	225	219
Commercial vegetables, fresh	228	245	256
Cotton	256	274	239
Feed, grains and hay	154	145	151
Food grains	198	200	221
Fruit	212	227	180
Oil-bearing crops	215	215	237
Potatoes	136	129	170
Tobacco	505	485	466
Livestock	270	274	263
Dairy products	270	272	275
Meat animals	323	326	293
Poultry and eggs	157	164	185
Wool	203	203	262
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Oct. (000's omitted):			
Exports	$1,599,100	$1,361,700	$1,674,400
Imports	1,141,800	1,074,300	1,147,900
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Jan. 31	$285,906,727	$283,031,201	$274,655,790
General funds balance	5,918,394	4,961,203	3,505,103
Net debt	$279,988,333	$278,069,998	$271,150,687
Computed annual rate	2.704%	2.689%	2.860%

Wellington Equity Resources Reflect $3 Million Gain

Wellington Equity Fund, a mutual fund, which began operation on October 23, 1958, is now in a fully invested position, and based on management's appraisal of the outlook for business and securities prices, has common stocks totalling 90% of resources in 14 major industries, Walter L. Morgan stated in the report which accompanied the Fund's first quarterly dividend.

Mr. Morgan also reported that as a result of market appreciation and continued investor demand for its shares, Wellington Equity Fund resources now total $36,653,000, an increase of over three million dollars since the fund started operations.

The securities listed in the Wellington Equity Fund's quarterly report were carefully selected to serve the Fund's primary aim of long-term growth of capital and future income, Mr. Morgan stated.

"For many months," Mr. Morgan added, "the fund's investment manager made a thorough review of the records of hundreds of leading corporations as the preliminary step to the investment of shareholder funds. The experienced research staff thoroughly investigated each company, searching for those with the ability to earn profits, development of new products and services, future demand for products, and well-directed research programs.

"The goal was to select those industries and companies with outstanding prospects for future growth, through excellent management and continual plow-back of profits. Companies in such industries such as chemicals, drugs, electrical equipment, office equipment, oil, paper and rubber meet these standards and were included in our list.

"Companies in such basic industries as automobiles, building, nonferrous metal and steel were also included in the Fund's list, for possible capital appreciation. Management has emphasized the selection of strong companies in these industries, which are expected to be especially responsive to the continuing business recovery expected in 1959."

E. W. Behrens Opens

SIOUX FALLS, S. Dak.—Ewald W. Behrens is conducting a securities business from offices at 306 South Phillips Avenue under the firm name of E. W. Behrens & Co.

Mutual Funds

By ROBERT R. RICH

Bullock Fund Had 23.8% Gain In Net Asset Value

Net asset value per share of Bullock Fund, the growth fund in the Calvin Bullock group, increased 23.8% in fiscal 1958 after crediting the distribution of 60 cents per share from capital gains, Hugh Bullock, President, told shareholders in the company's 26th annual report just issued. Net asset value per share was $13.07 on Nov. 30, 1958, as against $11.04 at the end of November, 1957, he said.

Total net assets of the fund reached a new high of $45,094,983 on Nov. 30, 1958, end of the fiscal year, as compared with $31,784,253 at the end of the 1957 fiscal year, he added.

"The increase of $13,310,730 in total net assets reflects both a rise in the market value of its investments as well as an increase of 571,263 in the number of shares outstanding," Mr. Bullock said.

Commenting on the past year Mr. Bullock noted that, "the exuberant rise of the stock market in recent months has not only fully reflected this recovery in the economy that has taken place, but in reaching new high ground, has discounted to a large degree the further economic recovery that appears to lie ahead over the coming months.

"In such an atmosphere of optimism and discounting of further progress, excesses and a certain degree of vulnerability are likely to develop in the market," he added. "Under these conditions it has been deemed advisable to maintain reserves of cash and U. S. Government bonds to be used for the purchase of securities as buying opportunities occur."

Chemical Reveals Record Jan. Sales

Chemical Fund, Inc. reported that sales of new shares in January totaled $3,319,000, the largest January sales volume in the Fund's twenty-one year history.

The January total was 95% greater than sales in the previous month, Dec. 1958. The fund, founded by F. Eberstadt & Co. in 1938, diversifies its investments over a wide range of companies in many industries which the Fund's management believes will achieve above average growth as a result of chemical research and development.

Fundamental Cites $180 Million Gain In Total Net Assets

Fundamental Investors, Inc., one of the nation's largest mutual funds, reports record total net assets of $515,040,608 on Dec. 31, 1958. This represents a gain of more than $180 million over the $334,501,287 figure at the 1957 year-end.

Net asset value per share increased from $13.37 to $18.26 in the 12-month period. This is a gain of 39.6%, after adding the 1958 security profits distribution of 40 cents per share to the 1958 year-end value.

Shares outstanding rose from 25,017,809 to 28,210,088 during the year and the number of shareholders from 90,593 to 97,877, both new highs for the fund.

The five largest individual holdings and their percentage of the fund's total net assets are: United States Steel Corp. (3.1%); International Business Machines Corp. (2.9%); Texas Co. (2.7%); Royal Dutch Petroleum Co. (2.6%) and Goodyear Tire & Rubber Co. (2.4%).

The fund's 1958 annual report, signed by Chairman Wm. Gage Brady, Jr. and President Hugh W. Long, expresses the opinion that the current recovery "gives evidence of continuing. The ending in recent months of inventory liquidation by industry, resurgence in housing, expanding highway construction and increased government spending, have all been stimulating forces. Although there have been recent indications of an improvement in new car sales, the automobile industry—which had a disappointing year in 1958—has not yet made an important contribution to the upturn."

"Viewing the economic scene as a whole, your management does not see any basic weaknesses in the business picture at this time and believes that the underlying forces responsible for the growth of the economy will continue to operate over the longer term."

Form Intermt. Underwriters

(Special to THE FINANCIAL CHRONICLE)

LITTLETON, Colo. — Intermountain Underwriters, Inc. has been formed with offices at 5572 South Broadway to engage in a securities business. Officers are James M. Raymond, President; Alice J. Raymond, Vice-President; and John W. Vaughan, Secretary-Treasurer.

Axe Science Reports 35% Net Asset Gain

Axe Science & Electronics Corporation reports a 35% increase in the net asset value of its shares during 1958 and unrealized security profits of $2.55 a share at the end of the fiscal year on Dec. 31.

According to the annual report, shares of this atomic age mutual fund rose from $9.06 to $11.99 and a distribution of 25 cents a share from net security profits was made during the year. Shareholders also received a dividend of 10 cents a share from investment income.

In a letter to shareholders accompanying the report, Mrs. Ruth H. Axe, President, says the year 1959 should be one of continued investment apportunities.

Mrs. Axe emphasizes the favorable showing by the electronics industry in 1958 and says it is attributable to increased government expenditures for missiles and the increased use of new products such as transistors.

The armed services, she continues, have large unexpended balances not only for missiles (which are expected to supersede aircraft as the primary means of national defense), but also for aircraft, ships, electronics and communications. Mrs. Axe also reports:

Factory sales of transistors continue to make new high records monthly and almost doubled during the year.

The demand for electronic computors shows no signs of slackening and seems destined to provide increased business for electronic parts manufacturers.

Electric power production has reached a new high. Chemical industry sales have fully recovered from the 1957-59 decline.

I.P.C. Had Record High Sales in 1958

Investors Planning Corp. of America ended 1958 with "the most successful quarter in our history" to produce a new record in annual volume, I.P.C. President Walter Benedick reported.

Business written by the 2,700-man mutual fund sales organization during the three months ended Dec. 31 came to $28.2 million for a 52% gain over the $18.5 million total of the 1957 fourth quarter.

As a result, 1958 volume climbed to $82.7 million, 11% higher than the previous year total of $74.5 million.

Last month's business alone amounted to $8.4 million, the largest December total ever recorded by I.P.C.

Other fourth quarter highlights disclosed by Mr. Benedick, included:

October volume of $10.7 million —the highest for any month in I.P.C.'s history.

Dec. 7 to 12 sales of $5 million—the best weekly volume since its formation.

Dec. 12 sales of $1.8 million — the firm's largest one-day total to date.

As of Dec. 31, I.P.C. had 57,872 of its exclusive mutual fund plans in force. This represented a 9.1% increase during the fourth quarter and a 36.7% rise over the 1957 year-end total of 42,333.

At present, the organization services over 65,000 mutual fund accounts of all types and has had a total volume since its establishment on June 1, 1953 of more than $277.8 million.

Already one of the nation's leading mutual fund retailers, Investors Planning Corp. is said to be the fastest growing such company in the history of the fund industry.

The firm sponsors two mutual fund contractual plans of its own in addition to selling shares of virtually all leading mutual funds.

Its large sales force covers New York City's five boroughs, Long Island, Westchester, Northern New Jersey, and parts of Connecticut and upstate New York.

Through its network of franchised affiliates, I.P.C. plans are also sold throughout the eastern United States, in parts of the mid- and far-West and in several European and Asian nations.

Broad Street Assets At All-Time High

Net assets of Broad Street Investing Corporation rose to $139,601,985 at Dec. 31, 1958, to reach the highest level in the history of the 29-year-old diversified mutual fund, according to the annual report for 1958 released. This represented an increase of $44,796,745 from a year earlier, with $13,798,110 of the gain accounted for by continued growth through the sale of new shares.

Per share asset value climbed to a record $25.35 at the end of 1958, for a gain of 32% from $19.69 12 months earlier, taking into account the 65 cents distributed to shareholders last December from gain realized on investments.

During the fourth quarter new common stock investment positions were established in National Steel; Westinghouse Electric; Sunbeam; Anaconda; Hooker Chemical; Phelps Dodge, and Sheraton. Significant additions to holdings were made in General Motors; Dresser Industries; Granite City Steel; U. S. Steel; Parke, Davis; Union Bag-Camp Paper; International Paper, and Marquette Cement. The holding in Lockheed Aircraft was increased by the conversion of debentures.

During the same period, common stock holdings were eliminated in Gillette; Central Illinois Light, and American Home Products. The investment in Shell Oil was substantially reduced.

General Investors Reports 91.4% Asset Gain in Fiscal 1958

A 91.4% rise in net assets during the fiscal year ended Dec. 31 is disclosed in the 1958 annual report of General Investors Trust.

At market close, Dec. 31st, net assets of the Boston-based investment company came to a year-end record of $6,233,032 as compared with $3,257,146 12 months earlier.

During the same period, its net asset value per share increased 21.9% — from $6.16 to $7.51. Adjusted for a 38c per share capital gains distribution last February, the increase amounted to 28.1%. (Income dividends for the year totalled 28c a share.)

General Investors Trust reported new highs in both shares outstanding and shareholders at the end of its fiscal year.

Total shares outstanding on Dec. 31st amounted to 829,542 for a 56.9% gain over the 528,858 total on the like 1957 date.

The fund had 3,715 shareholders at the 1958 close, compared with 3,025 at the end of the previous year, for a 22.8% rise.

G.I.T.'s 1958 sales of shares (less load charges) were a record $2,183,171 — 216.4% above the 1957 total of $689,926 according to its national distributor, Investors Planning Corp. of America.

The ratio of redemptions to sales was a low 7.1%, compared with 13.5% the previous year.

During the 1958 last quarter, G.I.T. took new positions in the bonds of the Commonwealth of Australia the City of Montreal, and Kerr-McGee Oil Industries, and added the common stocks of

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the Atchison, Topeka & Santa Fe Railroad and Rochester Gas & Electric Co. to its portfolio.

For the same period, the fund increased its bond holdings in Boeing Airplane Co., Temco Aircraft, the Chicago, Rock Island & Pacific Railroad, and The Martin Co., and its common stock position in Seaboard Air Lines Railroad, Hammond Organ Co., the New England Electric System, and Southern Natural Gas. It also increased its holding in the cumulative preferred stock of El Paso Natural Gas.

Fourth quarter purchases of securities totalled $809,156, as against sales of $479,902.

As of Dec. 31st, General Investors Trust held 57.1% of its assets in common stocks, 36.8% in bonds and preferreds, and 6.1% in cash and receivables.

Growth Fund Assets Double During Year

Diversified Growth Stock Fund, Inc. reports that the fund's total net assets more than doubled during the year ended Dec. 31, 1958, rising to $36,398,817 from $17,824,141 at the 1957 year-end.

During the same 12-month period, net asset value per share increased from $5.39 to $8.05 per share. This represents a gain of 54.5%, after adding the 1958 security profits distribution of 28 cents per share to the 1958 year-end value. During the year, the number of shareholders rose from 10,281 to 14,050 and shares outstanding from 3.309,300 to 4,524,064.

During the six months ended Dec. 31, 1958 additions to the fund's holdings included new investments in: Barden Corp., Beauty Counselors, Inc., Dominion Stores, Ltd., The Grolier Society, Hewlett-Packard Co., Kellogg Co. and Technology Instruments Corp. During the same period, the fund disposed of shares of Colorado Interstate Gas Co., Consolidated Electrodynamics Corp. and Honolulu Oil Corp.

Our Reporter's Report

The corporate secondary bond market continued to give off indications of further firming even though the Treasury list was not able to greatly extend its recovery in recent sessions.

Dealers reported evidence of increasing reluctance on the part of holders to sell high grade obligations, particularly those of public utilities carrying Double A and Triple A ratings. This was especially true in case where buyers were shopping for blocks of a given issue.

Several factors were cited as accounting largely for the improved tone marketwise. First and probably a weighty consideration was the fact that those who might be inclined to sell do not want to absorb the losses that would be involved at prevailing levels.

Again, it was pointed out, there is nothing to indicate any sudden rush of new corporate offerings to market. True, registrations have been building up gradually, and many companies have indicated intentions of financing new expansions. But the latter phase has not yet developed into actual preparations for offering of the new debt securities which will be involved.

Meantime, money keeps accumulating for use in the investment market and, at the moment, this buildup is of substantial proportions while the opportunities have not been great. Presumably this accounts for the current emphasis on the side of firmness.

Public Service Indiana

Standing out as the week's only substantial new corporate debt undertaking, Public Service Co. of Indiana's offering of $25 million of new 30-year bonds attracted a number of bids and good investor response upon reoffering. **The winning group paid the company a price of 99.73 for a 4¾% coupon rate, while the runners up offered 99.3699 for the same interest rate, a spread of only about 36 cents per $100 bond.**

Preliminary inquiry once the price became known, indicated that a substantial part of the issue would have been spoken for by the time books were opened.

Reinvestment Funds

Some observers were inclined to regard part of the quiet but persistent buying now making itself felt, as due at least in part to belated efforts to put to work funds accumulated over the year end.

It was noted that the customary so-called "January reinvestment demand" was light, if not nil, presumably as prospective buyers held back to gauge the outcome of the Treasury's huge refinancing operations and their effect on the general market situation.

Since the markets did not appear to be greatly upset by the heavier than usual percentage of attribution on the latest exchange offering, it appeared that some of the holdouts now are disposed to look over their opportunities.

Slight Pickup Looms

The new week will not be anything to write home about from the standpoint of volume of new offerings in sight. But none-theless it promises a bit more substance than has been the case in recent weeks.

Wednesday will bring up for bids Illinois Bell Telephone Co.'s $50 million of 35-year bonds designed to provide funds for financing expansion. The day previous Duquesne Light Co., will open tenders on $10 million of 30-year bonds to repay bank loans and augment building funds and Chicago, Rock Island & Pacific will market $5,130,000 of equipment trust certificates.

The week brings a goodly sprinkling of equity offerings of which American Natural Gas Co.'s 486,325 shares being offered in the ratio of one new share for each 10 held on Feb. 26 will be the largest.

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Preservation of Nation's Strength Contingent on Balanced Budget

every dollar of its income. If you or I did that, we'd be in trouble pretty soon.

But even a balanced budget next year for the government would represent a great improvement when you realize that the present year is expected to show a deficit of $13 billion. It's a pretty deep hole in which we find ourselves, and the President is performing heroically when he proposes to eliminate that massive deficit in his new Budget.

Remember, too, that a balanced budget will still leave us with a national debt of $285 billion. That is equivalent to $1,600 of debt for every man, woman and child in the United States. I wonder what President Washington would think of that?

Outcry of the Spenders

And still, the outcry is raised in opposition to a balanced budget! We aren't spending enough to satisfy some elements in our society. They want another deficit piled on top of this year's record-smashing $13 billion.

They want this in the face of an economy which is rebounding from a recession. They want it in the face of rapidly accelerating production which seems sure to reach an all-time high in this calendar year. They want it in the face of a staggering public debt and burdensome rates of taxation.

By any reasonable standard of sound financial management, this state of mind does not spell "responsibility." To pyramid deficits on debt and high taxes, in the face of an economy which is moving to record high levels, is to ask for inflation. And inflation is just about the biggest fake—and the most dangerous—that could be passed off in the guise of prosperity.

The President of the United States isn't fighting progress with his balanced budget. He is fighting inflation, knowing that it would mean the end of progress. He's fighting our fight, and we ought to be in there helping him. If we can't live on a balanced budget in a year of record business prosperity and growth, then we'd better ask ourselves when we will ever be able to. It's just as fundamental as that.

The budget for the next fiscal year is by no means a penurious, penny-pinching affair. Look at what it contains:

$46 billion for major national security—60% of the budget!

$8 billion to meet interest payments on the public debt—10% of the budget!

$6 billion for agricultural programs—nearly 8% of the budget—and this in spite of the fact that under price support programs the Federal Government now holds some $9 billion of surplus agricultural products.

$5 billion for veterans services and benefits—more than 6% of the budget!

$4 billion for labor and welfare programs—over 5% of the budget!

$2 billion for programs of benefit to commerce, housing and transportation!

$2 billion for international affairs, to promote world peace and the security of free nations, and

$2 billion to develop and conserve our natural resources.

To speak of these vast sums is to sketch our country's growth from its simple beginnings to the Space Age. We have front row seats on a modern revolution. Science, technology, population growth, the restless thrust of the free enterprise system—all of these are powering the most profound change in human events since the Industrial Revolution. All through the world, the engines of freedom are racing against the engines of tyranny. New nations are rising, to direct the fortunes and the fate of billions of people.

Time for Clear Thinking

This is a time for clear thinking. We owe it to George Washington and the courageous idealists who risked all they had to bring our nation into the full light of human service to think well of our responsibility.

Our government is what we want it to be. It can rise no higher than the goals we set for it. It can mirror our confidence, our resolution, and our strength, if we wish it to be so.

We honor the memory of George Washington. Let us do so not merely by recalling the glories of a very different and irretrievable past, but by taking the advice of that great leader as he placed in our care the achievements which will always be linked to his genius. Let us resolve to do what we can as American citizens to cherish the public credit and in so doing, to preserve this Nation's strength for the great age that is in the making.

Continued from page 2

The Security I Like Best

To those of us whose use of such a device has been limited to the removal of a sliver, needles have countless other purposes. It is enlightening to learn that Machine Needles must be manufactured in various types, shapes and sizes—expertly designed and precision-made by skilled technicians. These are for use in the many industrial knitting and sewing machines required for the shoe, knitting and clothing industries in the world. Mass production of sewn and knitted clothing, as well as shoes, would be impossible without the use of machine needles.

There are the ones for the knitting of sheer nylons and fine lingerie; others are used in the sewing of choice textiles, of awnings, heavier grades of upholstery and in the making of floor coverings. Latch machine needles, which actually have little resemblance to sewing machine needles, are essential in knitting sweaters, socks, gloves, swimsuits and seamless hosiery. Also to be considered are shoe machine needles for heavier demands such as shoes, luggage, handbags and other leather products. Lastly, but of extreme importance, there are the needles designed to meet the exacting demands of the surgical profession.

If this seems like overemphasis of little needles, it would be well to consider a rather frightening thought. Assume, for the moment, that none of these tiny tools were available. In simple terms—there would be no shoes, nylons, rugs, draperies or upholstery materials; no gowns, suits or shirts. Not even golf bags! What a gloomy idea! Beyond a doubt, we owe the needle maker a vote of thanks.

Now about BEARINGS. In this machine age, friction is an ever-present problem. Torrington engineers are constantly abreast of the needs of industry in this field. Unknowingly, we enjoy better service from our household appliances, power mowers, automobiles, outboard motors and the like, due to the skill of these men.

In the area of heavy service industry are anti-friction bearings for steam shovels, farm and road building machinery, army tanks, planes and oil drilling facilities,—none of which could operate except for the protection of these essential parts. All major types of these bearings are being produced at South Bend, Ind. The dependence upon them by industry is indicated by the necessity in recent years of expansion to take care of ever increasing demands.

More could be told of other Torrington products. The company would naturally like to have mentioned their other divisions, wherein are found machine screws, nuts and bolts, swaging machines and other metal parts for assembly in a variety of items. To do so would be at the expense of space for the coverage of financial data, which makes pleasant reading. . . .

The last annual report marked the 92nd year of operations of Torrington and its predecessor companies. It announced payments of dividends for the 87th consecutive year. Progress of the past ten years, ended 1958, was shown in sales increases from $33½ million in 1949 to $52 million in 1958. Net income per share in the same ten-year period had ranged between levels of $2.07 and $3.55. The 1958 figure was $2.96. Net worth had doubled during this period and working capital had reached $20.6 million; up from $12.6 million. Current position reveals a healthy $27 million to $6.46 million, with the latter made up of two simple

items—tax reserves of $4 million and the remainder, accounts payable.

With neither bonds nor preferred stock ahead of the 1,628,970 outstanding shares of this splendid company, ownership is in the hands of 19,657 shareholders located in 48 states, as well as Canada and England.

At its current level, Torrington common provides a yield a bit above 5%, with a dividend of $1.60. In times of better earnings, extra payments have been company policy. Over recent years Torrington common has been a favorite situation with me. Based on its record, this stock will have my continued recommendation for investors.

Form A. C. Bell & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Alexander C. Bell & Co. has been formed with offices at 519 California Street to engage in a securities business. Alexander C. Bell and Willard S. Webber are partners.

Form Future Investments

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Ill.—Future Investments, Inc. has been formed with offices at 1931 South MacArthur Boulevard to engage in a securities business. Officers are Paul E. Hines, Vice-President and Treasurer; and John M. Drennan, Secretary.

Form Bennett & Co.

WANAMASSA, N. J.—Bennett & Co. is engaging in a securities business from offices at 3 Judith Court. Partners are Bennet Davies, general partner, and Florence Pattyson and Anna West, limited partners.

P. F. Thompson Opens

ATLANTA, Ga. — Paul F. Thompson is conducting a securities business from offices at 800 Peachtree Street, Northeast, under the firm name of Financial Planning Associates.

Two With Shaw, Bayliss

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif.—Vincent F. Mackel and Paul A. Wayt are now associated with Shaw, Bayliss & Co., 2304 Huntington Drive.

Oscar Werner Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Lucille De Man has been added to the staff of Oscar G. Werner & Co., 3870 East Colorado Street.

With Beckman & Co.

(Special to THE FINANCIAL CHRONICLE)

LODI, Calif.—Marlow E. Stark has joined the staff of Beckman & Company, 321 North California Street.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leon G. Shahanian is now with Dempsey-Tegeler & Co., 210 West Seventh Street.

DIVIDEND NOTICES

The Board of Directors of

CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on March 12, 1959, to shareholders of record at the close of business on February 27, 1959. Checks will be mailed.

JOHN CORCORAN,
Vice-President & Secretary

February 16, 1959.

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Del., February 16, 1959

The Board of Directors has declared this day regular quarterly dividends of \$1.12½ a share on the Preferred Stock—\$4.50 Series and 87½¢ a share on the Preferred Stock—\$3.50 Series, both payable April 25, 1959, to stockholders of record at the close of business on April 10, 1959; also \$1.50 a share on the Common Stock as the first quarterly interim dividend for 1959, payable March 14, 1959, to stockholders of record at the close of business on February 24, 1959.

P. S. DU PONT, 3RD, *Secretary*

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of thirty-five cents (35c) per share on the capital stock ($3 par value) of the Corporation, payable March 16, 1959, to stockholders of record February 27, 1959.

L. G. REGNER, Secretary-Treasurer

Milwaukee, Wis.

February 17, 1959

AMERICAN CYANAMID COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (37½c) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable April 1, 1959, to the holders of such stock of record at the close of business March 2, 1959.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of forty cents (40c) per share on the outstanding shares of the Common Stock of the Company, payable March 27, 1959, to the holders of such stock of record at the close of business March 2, 1959.

R. S. KYLE, *Secretary*

New York, February 17, 1959.

DIVIDEND NOTICES

New York, February 18, 1959

The board of directors of Guaranty Trust Company of New York today declared a dividend of 80 cents per share on the capital stock for the quarter ending March 31, 1959, payable on April 15, 1959, to stockholders of record at the close of business March 3, 1959.

STUART K. BARNES
Vice-President and Secretary

GOULD-NATIONAL BATTERIES, INC.

Manufacturers of a complete line of automotive and industrial storage batteries.

A REGULAR QUARTERLY DIVIDEND of 50c per share on Common Stock, was declared by the Board of Directors on January 12, 1959 payable March 16, 1959 to stockholders of record on March 3, 1959.

A. H. DAGGETT
PRESIDENT

ST. PAUL • MINNESOTA

DIVIDEND NOTICE

FLORIDA POWER & LIGHT COMPANY

MIAMI, FLORIDA

A quarterly dividend of 41c per share has been declared on the Common Stock of the Company . . . payable Mar. 24, to stockholders of record at the close of business on Feb. 27, 1959.

H. H. FITE
President

WHERE INDUSTRY KNOWS NO SEASON!

DIVIDEND NOTICES

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

February 11, 1959

A quarterly dividend of thirty-seven and one-half (37½c) cents per share was declared, payable March 26, 1959, to stockholders of record at the close of business March 12, 1959.

JOHN G. GREENBURGH,
Treasurer

ROME CABLE CORPORATION

80th Consecutive Dividend

The Board of Directors of Rome Cable Corporation has declared consecutive Dividend No. 80 for 25 cents per share on the Common Stock of the Corporation, payable March 18, 1959, to holders of record at the close of business on February 27, 1959.

GERARD A. WEISS, *Secretary*

Rome, N. Y., February 17, 1959

UNITED CARBON COMPANY

CHARLESTON, WEST VIRGINIA

DIVIDEND NOTICE

A quarterly dividend of fifty (50c) cents per share has been declared on the Common Stock of this Company, payable March 10, 1959, to share-owners of record at close of business on February 23, 1959.

C. H. McHENRY
Secretary

Public Service Electric and Gas Company

NEWARK, N. J.

QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending March 31, 1959:

Class of Stock	Dividend Per Share
4.08% Cumulative Preferred . .	$1.02
4.18% Cumulative Preferred . .	1.045
4.30% Cumulative Preferred . .	1.075
5.05% Cumulative Preferred . .	1.2625
$1.40 Dividend Preference . .	.35
Common	.45

All dividends are payable on or before March 31, 1959 to stockholders of record March 2, 1959.

J. IRVING KIBBE
Secretary

PUBLIC SERVICE
CROSSROADS OF THE EAST

DIVIDEND NOTICE

THE FOLLOWING STATEMENT HAS BEEN MADE BY THE SECRETARY,

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

1. At a Meeting of the Directors held today, it was decided to recommend to the Stockholders at the Annual General Meeting, which was fixed to be held on the 25th March next, the payment on the 29th May next of a final dividend for the year ended 30th September, 1958 of 7d. per 10/- of Ordinary Stock (free of United Kingdom Income Tax) (1957—8d.) making, with the interim dividends already paid, a total for the year of 1/7 per 10/- of Stock (1957—equivalent of 1/7¼d. on present Issued Ordinary Stock).

The Directors have declared a special interim dividend for the year ending 30th September, 1959 of 2d. per 10/- of Ordinary Stock (free of United Kingdom Income Tax), also payable on the 29th May next, making a total of 9d. per 10/- of Stock payable that date.

The reason for this special interim dividend lies in the provision of the Finance Act, 1958 relating to profits tax on distributed profits. It will not be taken into account in considering the payment of other dividends for the year to 30th September, 1959.

2. If the payment of the final dividend is confirmed, transfers received in order at the registered office of the Company up to 27th April next will be in time to be passed for payment of the final and special interim dividends to the transferee. In the case of Bearer Warrants, both dividends will be paid against the deposit of Coupon No. 236.

3. The Directors also decided to declare a first interim dividend in respect of the year to 30th September, 1959, of 6d. per 10/- of Ordinary Stock (free of United Kingdom Income Tax) on the Issued Ordinary Stock, payable on the 31st March next.

4. Transfers received in order at the registered office of the Company up to the 23rd February will be in time to be passed for payment of this interim dividend to the transferee. In the case of Bearer Warrants, the dividend will be paid against the deposit of Coupon No. 235.

5. The Directors have authorised the following announcement of the results of the Group's operations for the year:—

	Years to 30th September 1958	1957
The Consolidated Profit, before taxation, was	£55,789,393	£57,285,037
from which must be deducted:—		
United Kingdom Taxation	£ 6,263,625	£ 7,389,867
Overseas Taxation	£21,365,488	£20,663,819
Outside Shareholders' interests in profits	£ 2,687,258	£ 2,917,602
Leaving Group Net Profit	£25,473,022	£26,313,749

The proportion of the Group Net Profit dealt with in the Accounts of British-American Tobacco Co. Ltd., including dividends from Subsidiaries, was £9,978,477 (1957—£9,110,023). From the Group Net Profit £4,900,000 (1957—£6,000,000) has been transferred to Fixed Asset and Stock Replacement Reserves (see Paragraph 6 below). Of this transfer, the British-American Tobacco Co. Ltd. proportion was £400,000 (1957 — £1,000,000). Thus Group Available Net Profit was £20,573,022 (1957—£20,313,749), of which the British-American Tobacco Co. Ltd. proportion was £9,578,477 (1957—£8,110,023).

Appropriations by British-American Tobacco Co. Ltd. are as follows:—

	1958	1957
Preference dividends (net)	£ 336,375	£ 336,375
Interim Ordinary dividends paid—		
6d. per 10/—Stock paid 31/3/58	£2,375,776	£2,078,804
6d. per 10/—Stock paid 30/9/58	£2,375,776	£2,375,776
Transfer to General Reserve	£ 750,000	Nil
Final dividend proposed	£2,771,739	£3,167,702
Leaving a balance of	£ 968,811	£ 151,366
making, with the balance brought forward, the balance to be carried forward	£2,216,797	£1,247,986

6. The transfers to Fixed Asset and Stock Replacement Reserves represent an estimate of the amounts which, having regard to changes in price levels, should, in the opinion of the Directors, be retained out of Group profits towards maintaining over the year that part of the real capital of each company in the Group represented by Fixed Assets and Stocks.

7. There have been changes over the year in the rates of exchange applicable to the conversion to sterling for consolidation purposes of the current assets and liabilities of certain of the Overseas Subsidiaries. The proportion attributable to British-American Tobacco Co. Ltd. of the net resulting difference on exchange of £4,866,053 (1957—£3,051,760) has been added to Currency Conversion Adjustment, the balance of which is deducted from Reserves and Undivided Profits in the Consolidated Balance Sheet.

8. At the above-mentioned Board Meeting, it was also decided to pay, on the 31st March next, the half-yearly dividend due on the 5% Preference Stock amounting to 6d. for each £1 unit of Preference Stock, less United Kingdom Income Tax. Transfers received in order at the registered office of the Company up to the 23rd February will be in time to be passed for payment of this dividend to the transferee. In the case of Bearer Warrants, the dividend will be paid against the deposit of Coupon No. 111.

9. The Directors have also decided to pay, on the 30th April next, the half-yearly dividend due on the 6% Preference Stock amounting to 7.2d. for each £1 unit of Preference Stock, less United Kingdom Income Tax. Transfers received in order at the registered office of the Company up to the 7th April next will be in time to be passed for payment of this dividend to the transferee.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

12th February 1959

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 901 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The most important piece of legislation before Congress today, as far as it involves the welfare of all the people, is labor reform legislation. To be technically correct, one should describe it as labor - management reform legislation.

Of course balancing the budget is of great importance, but there is no direct legislation pending calling for a balanced budget. That will have to be done by Congress by not appropriating more funds than the taxes will yield. The legislative picture for a balanced budget is unclear, because it is too early in the session.

It is also too early to tell what Congress is going to do toward closing some of the loopholes that many of labor's overlords have been thriving under. By terms of the present laws the unions and union bigwigs have been growing in power at a marked rate. And, as the American people know, some of the unscrupulous labor leaders have had things their own way for a long time, leaving trails of corruption and fractured skulls in their paths.

As it has been said many times on Capitol Hill and back in the communities and cities of America, most managements have no scrap with the rank and file of labor. At the same time they realize that labor naturally wants to get all it can from management in the way of compensation.

A New Development

There is a new development on Capitol Hill this year in connection with the pending labor proposals. Many people in management and business are writing letters and calling on their Congressmen to outlaw picketing and secondary boycott abuses. This is needed, of course, to protect the public, employers and employees from union racketeering.

The United States Chamber of Commerce, naturally, is advocating that these serious abuses be stamped out, but more and more people not identified directly or indirectly with the Chamber are maintaining that something must be done. Business, long the target of unions, is expected to come in for some sharp verbal assaults before passage of any type of legislation.

The late Robert S. Taft, Republican of Ohio, one of the all-time great Senators of the American Congress, back in 1947 warned that the labor czars of the country should have their powers curbed. He realized, however, that only moderate labor reform legislation could be passed, but he tried hard to get some tough proposals tacked on to the Taft-Hartley bill.

The New Deal had been in power and control of Congress for years. The Wagner Act was passed in 1935 and had been described by labor as its "Magna Charta" because it gave unions all-out authority to bargain collectively, among other things.

Taft's Contribution

Senator Taft, who was a friend of the laboring man, although the unions did not think so, realized that labor had grown all too powerful under the Wagner Act. As chairman of the Senate Labor Committee during the 80th Congress, when the Republicans were in control, he quarter-backed the Taft-Hartley law to passage. This act did repeal some of the provisions of the New Deal Wagner Act. Nevertheless, the Senate Labor Committee's Democratic members were all pro-labor, just as they are today. Therefore, Senator Taft did not get half of the things he wanted, but he did get approved a substantial "cooling off period," among other things.

The Ohioan, the most dominant figure in Congress in a generation, suffered many setbacks in the long and bitter hearings. If the Taft-Hartley bill had not passed when it did, the labor unions unquestionably would be far more powerful.

The situation in Congress 11 years after passage of the Taft-Hartley law is different now. For instance, labor claims that it helped to elect 12 senators in the November election. For this reason there is doubt about what kind of legislation can be passed. Labor is willing for some "soft" legislation to pass.

The Senate in 1947, when there was a mild trend toward conservatism in this country, passed the Taft-Hartley law by a vote of 68 to 24, and the House passed it 308 to 107. After President Truman vetoed the bill, the Senate and House overrode the Presidential veto and it became law.

A "Marked Man"

Today there are two United States Senators who stand out in the labor racketeering fight. Both labor and management owe a debt of gratitude to Senator John L. McClellan of Arkansas for his unceasing efforts to disclose the corruption of racketeers in unions. The other Senator who stands out is Republican Senator Barry Goldwater of Arizona, who was one Senator who beat the unions and their bags of money in a bitter fight last fall.

Senator Goldwater realizes that he is a marked man by the labor unions. As a result, he is giving the union czars a verbal punch in the nose with the least provocation. His pending bill before the Senate labor subcommittee, of course, has been vigorously attacked.

The AFL-CIO submitted testimony calling it strictly anti-labor and a poor excuse for reform proposals. Arthur J. Goldberg, special counsel for AFL-CIO, described the Goldwater bill as an "unhappy piece of legislation designed for "political purposes."

Gompers' Creed Violated

Meantime, there are some sharp statements being exchanged on the labor legislative proposals. William T. Harrison, President of the National Right-to-Work Committee, charged that AFL-CIO President George Meany is attempting to deny the creed of Samuel Gompers, the founding President of the AFL.

"With the revolting picture of oppression, violence and ruthless power being exposed in the labor movement today," said Mr. Harrison, "I think Mr. Gompers' views on voluntary unionism and those other famous friends of labor would stand careful scrutiny by Mr. Meany and his colleagues. Today's labor leaders are caught up in a lust for political power, purchased with compulsory union dues."

Mr. Meany insists that Mr. Harrison and his Committee has taken three sentences out of context from a statement by the late AFL founding President. Mr. Meany, incidentally, has already threatened that if labor does not get fair treatment from the two major parties it will start its own party, and it will be a strong one.

The right-to-work laws on the state statute books in less than 18 states are being attacked violently by labor leaders at this time. For instance, Indiana's right-to-work law appears to be on the brink of being repealed. It has already swept to passage in the State House of Representatives by a one-sided vote. Most of the states with right-to-work laws are in the South.

Need Better Balance of Power

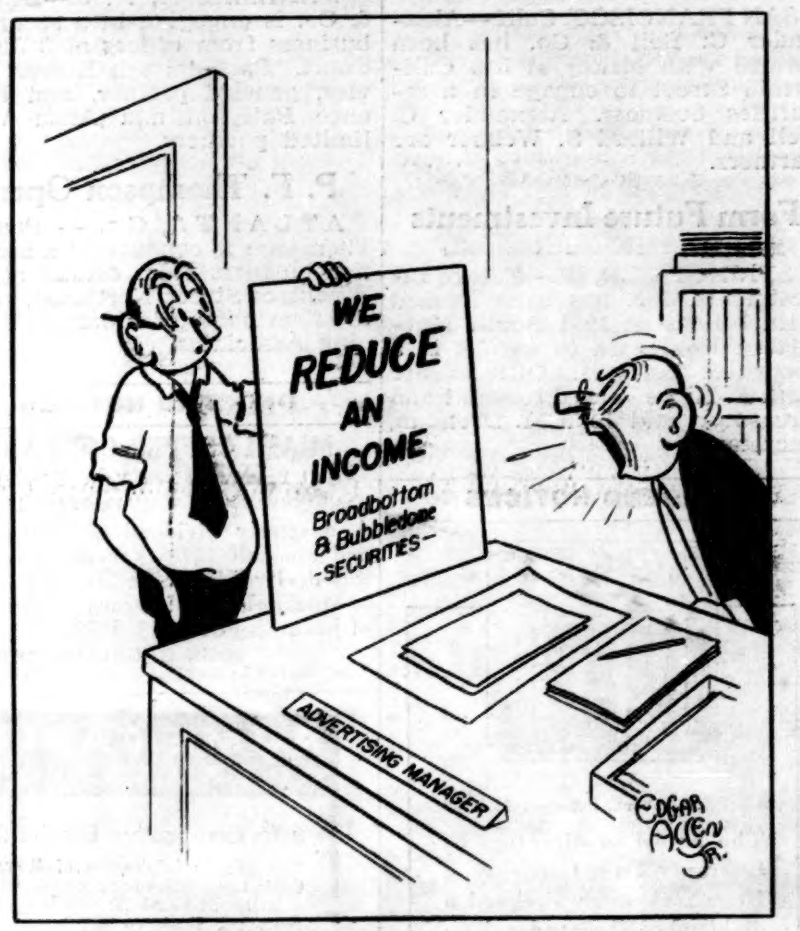
As Senator Taft said more than a decade ago, what this country needs today is more equalizing power between labor and employers. At this time labor has the upper hand. Of course, there are some people in this country who would like to see Congress abolish all labor unions. Management in this country, generally speaking, does not feel that way. Obviously it will never happen.

Years ago management had been all powerful and some industrialists had become arrogant, making peons out of their working people. Then the Wagner Act came into being. The time may be approaching when the American public will take things in hand and tell labor: "Look here, you have become too powerful. It is time to call a halt."

Perhaps this Congress will do a little power curbing, if the people speak out in strong terms. The overriding issue before the law makers is labor monopoly.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"Not REDUCE—PRODUCE—you numbskull!"

Business Man's Bookshelf

American Journal of Economics and Sociology, January 1959 (containing articles on Toward an SS Typology; Social Engineers; Institutions and Ideas in Social Change; Sociological Aspects of Occupational Choice; Momentum or Creation; Keynes-Hansen "Demand for Labor" Notion; Birth of the Third Party in British Politics; Man's Moral Responsibilities; Thorstein Veblen, Radical Apologist for Conservatism; Brigham Young as Entrepreneur; Land for the Fellahin, etc.—American Journal of Economics and Sociology, 50 East 69th Street, New York 21, N. Y.—$3 per year; single copies, $1.

Bank Holding Company—Dr. Marcus Nadler and Dr. Jules I. Bogen—Marine Midland Corp., Buffalo 5, N. Y. (paper)

The Banks Built: The Story of Savings Banks Trust Co.—Adolph A. Berle, Jr.—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $2.75.

British Government Publications—December 1958—British Information Services, 45 Rockefeller Plaza, New York 20, N. Y. (paper), on request.

Changing Economic Function of the Central City — Raymond Vernon — Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y. (paper), $1.

Cycles and Trends in Textiles — Thomas Jeff Davis — U. S. Department of Commerce — U. S. Government Printing Office, Washington 25, D. C. — paper — 40c.

Decision-Making on Productivity—Seymour Mellman—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y. —$7.

Economic Indicators—Their Use in Business Forecasting—Henry M. Platt — Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H. (paper)

International Monetary Fund — Summary Proceedings of Annual Meeting, 1958 — International Monetary Fund, Washington, D. C. (paper)

Jim Fisk: The Career of an Improbable Rascal—W. A. Swanberg — Charles Scribner's Sons, 597 Fifth Avenue, New York 17, N. Y. (cloth), $4.50.

Money Management — Your Savings and Investment Dollar — Money Management Institute, Household Finance Corporation, Prudential Plaza, Chicago 1, Ill. — paper — 10c per copy.

100 Years of Banking in Canada: A History of the Toronto-Dominion Bank—Joseph Schull—Copp Clark Publishing Co., Ltd., Toronto, Canada. (cloth)

Problem of Inflation—New York University Graduate School of Business Administration, New York, N. Y. (paper)

State and Local Government Finances in 1957—Bureau of the Census, Washington 25, D. C. (paper), $1.

University Publishers Spring 1959 Catalogue—University Publishers, Inc., 59 East 54th Street, New York 22, N. Y.

Your Bank's Program for Emergency Preparedness—A Checklist—Pennsylvania Bankers Association, Box 152, Harrisburg, Pa., 50c.

Your Savings and Investment Dollar—Money Management Institute, Household Finance Corp., Prudential Plaza, Chicago 1, Ill. (paper)